

Press Freedom in Britain Is Being Eroded, Journalists Say

By Howell Raines
New York Times Service

LONDON — The Thatcher government's legal actions against newspapers and broadcasters have resulted in a significant erosion of freedom of the press in Britain in 1987, in the view of journalists, civil libertarians and the handful of politicians interested in the issue.

Throughout the year, the government pursued its efforts to inhibit publication of news and reporting about "Spycatcher," an account of misconduct in the British security services by Peter Wright, a former intelligence agent.

In less publicized cases, it has used the Police and Criminal Evidence Act to look for evidence in the news and photo libraries of newspapers, and it has turned to another restrictive statute to try to compel a financial reporter to serve as a police informant in an insider trading case.

These actions are among nine distinct areas of legal activity directed against the press that have been identified by the Press Council, an ombudsman group financed by the newspaper industry.

"With all these, Britain is sinking further into that league of nations where press freedom is barely understood, let alone protected," said Kenneth Morgan, director of the council.

Experts differ on whether the rash of litigation represents a coordinated government effort to bring the press to heel.

But they agree that the plight of the financial journalist, Jeremy Warner of The Independent, illustrates the fragility of press freedom in Britain and the vulnerability of journalists to government pressure.

Mr. Warner could become the first British journalist in 25 years to go to jail to protect a source of information if he continues refusing to tell police inspectors how he got information about purported insider trading by civil servants in the Department of Trade and Industry.

The slender man of 32, grandson

But Tabloids Thrive on Wings of Gossip

By Francis X. Clines
New York Times Service

LONDON — The cattiness of this year's Christmas wassail by the professional gossips of British journalism is becoming the subject of talk.

The gossip about the gossips is that not only did the Nigel Dempster faction of gossip columnists break away from their colleagues for a separate Christmas party last week, but it turned out that there was no mince-pie food fight among the participants.

This is an alarming break with tradition and an improvement in manners which, if unchecked, could spread into their reporting and ruin the ultimate bad thing of British letters, according to one practitioner.

This gossip columnist speculated that the revelers were muted by shock when Mr. Dempster, the six-day-a-week columnist of The Daily Mail, picked up everyone's lunch bill in a gesture designed to hold his claim as king of the gossips.

It is a throne worth the fight, for gossip is the coin of this realm, in the public prints as on the streets.

One Englishman, Prince Charles, learned this the hard way recently when he privately sought out a trusted, white-haired editor from the more respected non-tabloid press to spill his heart out about the torments of gossips.

The confidence went away when the editor wrote about it, gossip as any other Briton.

Britain's gossip writers are the engines of reader circulation for the popular tabloid press, trailing the royal family like a happily vulgarian coterie of nattering retainers, while

supplying relief with the usual show business perennials.

Here an Englishman can discover that "The Gloved One," Michael Jackson, may be negotiating to co-star with his pet chimp, Bubbles, in a remake of "Bedtime for Bonzo."

They break exclusives on how the Princess of Wales gets her legs waxed, why that newly divorced, celebrated theater producer "shows no inclination to marry his mistress," and why Yorkshire's Countess of Harewood wants her cockatoos to speak with an Australian accent.

Stuff and nonsense, you say? No, these disclosures mirror a far deeper truth among their readers, according to Dr. Nicholas Emler, a social psychologist at Dundee University. He holds that, far from being trivial entertainment, real gossip is the stuff of perhaps 80 percent of a normal human being's conversational day.

All this is no laughing matter, although Dr. Emler himself smiles as he works his thesis, with research shifts of 150 ordinary, garrulous people keeping precise diaries of how much they converse, with whom and why. They are mostly gossiping, discussing mainly themselves and their friends and office concerns, rarely art, *glamour* or the imbalance of trade.

"Gossip is all about reputation," said the professor, stressing how important this is for healthy, hardly ally, human intercourse. "Poor Prince Charles can't engage in reputation repair work down at the pub with his mates, telling them the truth about the state of his marriage," rued Dr. Emler. "Others never get to hear his side of the story."

Enough about the gossip-bedecked prince. What about the rival columnist clique of Ross Benson, Mr. Dempster's competitor at The Daily Express, who have decided to counter the Dempster scribes and hold their own separate, breakaway Christmas party Monday?

According to the usual hyperbolic progress of a British newspaper story, this rival celebration enlarges a row into a controversy with unknown implications for the Crown, Fleet Street and the Thatcher government's continuing campaign to ban "Spycatcher."

In any case, gossip traditionalists are hoping that, since the columnists at the Benson party must pay their own \$50 lunch check, they will drink more selflessly and have the traditional food fight.

"If you read our stuff you know we spend half our time telling the reader how worthless and lying our competitors are and the other half making up things," confessed a practitioner canny enough to be invited to both parties.

"Entertainment, not true information, is what gossip writing is about," said another toiler at the tattle, Peter McKay of the Evening Standard. "Readers say they want to read things which are 'true,' when the reality is they like nothing of the kind. They relish that special twist to things."

Mr. McKay and the other professionals have heard of this Dr. Emler and his attempt to have gossip declared serious and healthy.

"Next thing you know they'll have time-and-motion experts coming in here to try and see what we do," Mr. McKay said, vowing to defend the rapidity of gossip like life itself.

Wilson, the Labor Prime Minister. "It tells us something peculiarly grim about Britain today that Mr. Warner's case can drop so silently into a still pool of civic indifference," The Guardian said.

But a number of experts said the reaction, or lack of it, is typically British. "It goes absolutely to the psychological difference between the American public and the British public," said Lord Scarman, a prominent campaigner for adoption of a written bill of rights to safeguard freedoms that are not specifically protected under British law.

"I think the British public don't take very seriously the current litigation between the government and the newspapers on freedom of the press," Lord Scarman said.

"They certainly don't grant the press the sort of position in the organization of the state that the United States does," he said. "If they were going to have an unbridled parliament or an unbridled press, they'd prefer to have an unbridled parliament, thank you."

Whereas the First Amendment served as a roadblock to attempts by Congress or the courts to curb the American press, Lord Scarman said, Britain has no written constitution defining basic rights and restraining the government's power to interfere.

In addition, the 1689 Act of Settlement guarantees "Parliamentary sovereignty." This means that the government can lose a case in the courts and, if it has the votes in Parliament, immediately pass a new law to regain what it has lost.

"It is not insignificant that constitutionally speaking we're subjects here and you're citizens in the United States," said Andreas Whitman Smith, editor of The Independent.

"Then you have a particularly self-confident, aggressive and even arrogant prime minister who has very many virtues," he said, "but in this case has become mightily obsessed with the confidentiality of security issues."

Ershad, Seeking Talks, Frees 6 Foes

DHAKA, Bangladesh (Reuters) — Bangladesh freed six more political detainees Sunday in a continuing attempt to foster negotiations with the opposition, which is trying to force the country's president, Lieutenant General Hussain Mohammed Ershad, from office.

The official Bangladesh News Agency said that those released belonged to the fundamentalist Jamiat-Islami, the Bangladesh Communist Party and the rightist Bangladesh Nationalist Party. It gave no other details. However, Interior Ministry officials said that the releases were part of the government plan to mollify General Ershad's opponents.

The opposition, meanwhile, called general strikes for Tuesday and Wednesday to put further pressure on General Ershad. The campaign against him, begun in November, has posed the biggest challenge to General Ershad's government since he took power in a bloodless military coup in 1982. Those released Sunday were among about 5,000 arrested since the protests calling for his resignation began. About 500 of those who were arrested have now been freed.

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Relatives Barred From Cypriot Burial

NICOSIA (AP) — UN peacekeeping troops and Turkish Cypriot authorities prevented relatives Sunday from accompanying the body of a prominent Greek Cypriot author for burial in his birthplace in the Turkish-occupied part of the island.

The body of Yiannis Stavrinou Economides, who died last week at 94, was allowed to travel unescorted in the back of a white-painted van of the UN force for burial in the village of Rizokarpaso, his birthplace, 81 miles (130 kilometers) northeast of the capital.

But Canadian troops prevented Mr. Economides' two sons, two brothers and another relative from reaching the Turkish Cypriot checkpoint. "The Turks refused to allow us to escort our father's coffin unless we first signed a form declaring obedience and recognition of their breakaway state," a son said, "and the UN soldiers stopped us from asking them to relent."

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TRAVEL UPDATE

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Congressional investigations, meanwhile, reported that a survey of 50 major airports found security violations. The investigations did not identify the airports, but other sources said they were Los Angeles International, Miami International, Atlanta Hartsfield, John F. Kennedy in New York, Washington National and O'Hare in Chicago.

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THURSDAY: Andorra, Austria, Brazil, Czechoslovakia, Denmark, El Salvador, Finland, France, Iceland, Italy, Ivory Coast, Liechtenstein, Luxembourg, Monaco, Madagascar, Mexico, Monaco, Norway, Portugal, San Marino, Sweden, Switzerland, Vatican City, West Germany.

FRIDAY: All countries except: Afghanistan, Albania, Algeria, Bahrain, Bhutan, Bulgaria, China, Cuba, Egypt, Ethiopia, Iran, Iraq, Israel, Japan, Kuwait, Libya, Mauritania, Mongolia, Morocco, Nepal, North Yemen, Oman, Qatar, Romania, Saudi Arabia, Somalia, South Yemen, Soviet Union, Thailand, Tunisia, Turkey, United Arab Emirates, Yugoslavia.

SATURDAY: Andorra, Austria, Bahamas, Barbados, Belize, Bermuda, Botswana, Britain, Canada, Cayman Islands, Cyprus, Czechoslovakia, Denmark, East Germany, Fiji, Finland, Ghana, Gibraltar, Greece, Grenada, Guyana, Hong Kong, Hungary, Ireland, Italy, Jamaica, Kenya, Liechtenstein, Luxembourg, Macao, Malawi, Namibia, Netherlands, New Zealand, Nigeria, Norway, Papua New Guinea, Poland, San Marino, Sierra Leone, South Africa, Suriname, Sweden, Uganda, Vatican City, West Germany, Zimbabwe.

Source: Morgan Guaranty Trust Co., Reuters.

DOONESBURY



Hard Bargaining Ahead On Nonnuclear Forces

By Don Cook
Los Angeles Times Service

VIENNA — Following the recent summit meeting in Washington, the next round of diplomatic action in East-West relations is set for early in the new year, at the 35-nation conference here reviewing the 1975 Helsinki agreements on security and cooperation in Europe.

The conference broke for a Christmas recess on Friday, and when it resumes, according to a Western ambassador, "there will be a lot of hard bargaining, but the shape of a package deal is already there." He added that "we ought to wind up by the end of March, before Easter."

The Western powers are pressing the Soviet Union and the Eastern bloc for a series of specific commitments in the field of so-called people-to-people contacts and improved economic cooperation.

Only when these commitments are in place will there be agreement on a conference to negotiate reductions of conventional military forces in Europe, a prime objective of the Soviet Union.

The Western powers are insisting that all political prisoners in the Soviet Union be released before there can be any agreement on a

Soviet proposal for a full-dress conference of the 35 nations on human rights in Moscow in 1990.

This was emphasized to the Soviets in Washington in discussions between President Ronald Reagan and Mikhail S. Gorbachev, the Soviet leader.

The Americans, it was learned, handed the Soviets a list of about 450 political prisoners and said that the United States would not consider a human rights conference in Moscow until all were freed.

So far this year, about 200 political prisoners have been released, beginning with the return from internal exile of Andrei D. Sakharov. It is possible that the remaining 450 on the American list may also come out in the next few months, if the Soviets want a human rights conference that badly.

In Washington, Mr. Gorbachev took a harsh line in responding publicly to American pressures on the human rights question, but his responses were also televised in his homeland and may have been intended for domestic consumption. The question now is not what the Soviets say but what they do.

On the Western side, there are mixed feelings here about agreeing to a human rights meeting in Moscow under any circumstances. Those who are opposed say that it would simply amount to an "award" to the Soviet Union for a human rights record that is never going to be clean by Western standards.

In the meantime, the nine neutral and nonaligned states taking part in the Helsinki review conference are expected to put forth a proposal on "humanitarian travel rights" for medical treatment, weddings, funerals, family emergencies and similar needs.

All 35 governments would be pledged to issue passports, exit permits or entry visas within a specific number of days after application is made.

On the question of talks on conventional force reductions, a major stumbling block was eliminated when the Soviet Union dropped its insistence that tactical nuclear weapons be included in any negotiations. But a number of fine points are yet to be settled when work resumes in January.



SITDOWN BY JOBLESS — About 150 young unemployed Parisians protesting outside Fauchon, one of France's fanciest food shops. They first stormed the

Queen's Speech Leaked to Press

The Associated Press

LONDON — The British Broadcasting Corp. said Sunday that it would conduct an internal inquiry to determine how portions of Queen Elizabeth II's annual Christmas Day message condemning violence in Northern Ireland were leaked to British newspapers.

The contents of the 10-minute message were not due to be made public until Friday, but six newspapers published reports Saturday saying the queen would denounce the Irish Republican Army's 18-year campaign of violence.

The Sunday Times said some journalists learned of the contents of the queen's message during a lunch Friday with a trusted BBC man who had seen the queen's broadcast recorded.

Journalist Must Clarify Nazi Issue

By Robert J. McCartney
Washington Post Service

BONN — Controversy has broken out over the Nazi past of one of West Germany's best known television journalists, Werner Höfer, and his employers told him that he risked losing his job unless the issue was resolved by March.

Two other reporters, a West German and a Briton, canceled plans to appear on Mr. Höfer's show, "Der Internationale Frühschoppen," on Sunday because of renewed allegations that he had been a Nazi propagandist.

The two acted after the West German magazine Der Spiegel published excerpts from articles written by Mr. Höfer for a pro-Nazi newspaper during World War II.

Mr. Höfer, 74, has admitted that he belonged to the Nazi Party. But he has said that his editors inserted the most offensive passages that appeared in articles published under his byline "on the instructions of the Propaganda Ministry."

The controversy has centered on an article published in 1943 that praised the execution of a pianist, Karlheinz Krenn, by the Nazis.

Mr. Höfer's show, whose name translates roughly as "International Aperitif," reaches approximately 15 million people by television and



Werner Höfer

radio in West Germany, East Germany and Switzerland.

[Mr. Höfer said Sunday on his program that he was looking forward to discussing the allegations on the program soon. But he added that a final decision had not been made by station officials. The Associated Press reported.]

The show, started by Mr. Höfer in 1952 and hosted by him ever since, brings together four foreign correspondents and a West German reporter to discuss the week's news.

Mr. Höfer said in a statement that he has initiated legal proceedings against Der Spiegel for making what he called the "grotesque" accusation.

Nevertheless, his employers at West German Broadcasting told him that he might lose his job unless he provided "a satisfactory clarification" by March, according to a network statement.

Günther Hammer, editor of the West German newspaper Westfälische Rundschau, and Andrew Fisher, a Frankfurt-based correspondent for the British newspaper Financial Times, dropped plans to appear on the show because of the controversy.

Kaunda Is to Mediate In Kenya-Uganda Clash

Reuters

LUSAKA, Zambia — President Kenneth Kaunda agreed Sunday to mediate in a border dispute between Uganda and Kenya, saying he would contact their leaders in the near future.

"Fortunately for me, both President Yoweri Museveni and President Daniel arap Moi are very close friends of mine," said the Zambian leader, the current chairman of the Organization of African Unity, after talks in Lusaka with the Ugandan foreign minister, Ibrahim Mukibi. "I am praying very hard that nothing worse happens between the two countries."

Mr. Mukibi brought a message from Mr. Museveni, who appealed for OAU mediation after a three-day clash last week in which Uganda said two of its soldiers and 10 civilians were killed.

Kenya says 30 Ugandan troops were killed but has mentioned no deaths on its own side.

"African problems should be resolved within the framework of the OAU," Mr. Mukibi told Mr. Kaunda. "We have no doubt of your ability to find a solution. We seek a quick and lasting solution."

Uganda and Kenya, once allies in the East African Community that collapsed in 1977, have become bitter foes in the past year. Kenya accuses Libya of using Uganda as a bridgehead to destabilize Kenya, a charge Uganda denies. Kenya and Uganda accuse each other of starting last week's clashes.

Uganda accused Kenya on Saturday of closing the border, preventing its goods moving to and from the Indian Ocean port of Mombasa, which handles most of its imports and exports. Kenya denied the charge on Sunday.

In a statement read on state radio on Sunday, Uganda accused Kenya of harassing and expelling its diplomats and businessmen working there.

Carlucci Orders Global Staff Cuts

New York Times Service

WASHINGTON — Defense Secretary Frank C. Carlucci has told the top commanders of U.S. military forces around the world that he intends to make their headquarters more efficient and cut their staffs to help reduce the Pentagon budget.

In a memorandum dated Monday and made public Friday by the Pentagon, Mr. Carlucci ordered the Pentagon's deputy inspector general, Derek Vander Schaaf, to assess the staffs of the Joint Chiefs of Staff, the U.S. headquarters within the North Atlantic Treaty Organization and regional headquarters of U.S. forces.

The review is part of an effort to cut about \$3 billion, or more than 10 percent, from the military budget for the 1989 fiscal year.

WORLD BRIEFS

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AMERICAN TOPICS

The Harsh Frontier Lives On, So They Say

The American frontier lives on, some experts say, defining it as an area having fewer than six people per square mile (2.5 square kilometers). Whole counties that are this sparsely populated cover most of the western half of the country.

Frank J. Popper, head of urban studies at Rutgers University in New Jersey, says that in these frontier regions, risk-taking and individualism are prized, even though the state and federal governments are often the biggest landowners and biggest employers.

The frontier "is not as big as it was," Mr. Popper told The New York Times, but frequently it is "just as much and hell-raising."

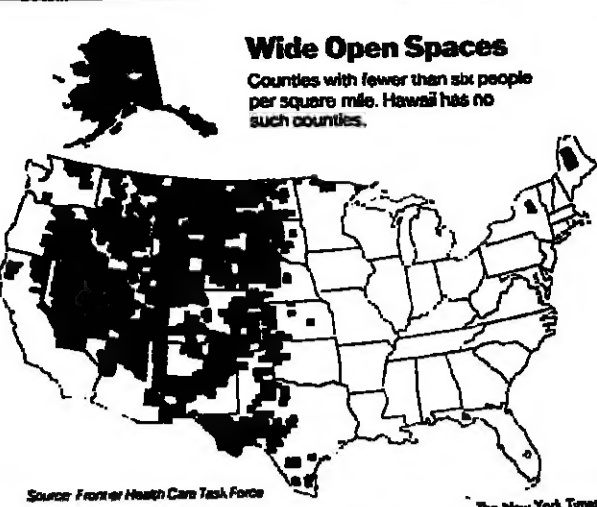
Typically, counties meeting the frontier definition have higher death rates among their white populations than high-crime cities show for urban blacks. "The rural areas of the West, rather than the American urban ghetto, is where youth is far more likely to suffer violent death," Dr. Popper said.

The reasons: individualism; dangerous occupations like mining, forestry and oil drilling; and the high rate of fatal car accidents, reflecting widespread drinking, dangerous roads and lack of emergency medical care.

Short Takes

A mock court in San Francisco ruled that chicken soup deserves its reputation as "Jewish penicillin," despite rival claims that Greeks, Italians and Chinese also use it in times of illness. The "Court of Historical Review" heard testimony, among others, from Joel Brodsky of the American Jewish Congress, who noted that Moses Maimonides, the 12th-century Jewish physician and philosopher, said chicken soup was "very good for you, but bad for the chicken." The court then adjourned to the hallway where everyone was treated to chicken soup from a Chinese restaurant.

The United States had the lowest voter turnout rate, 53.58 percent in presidential elections,



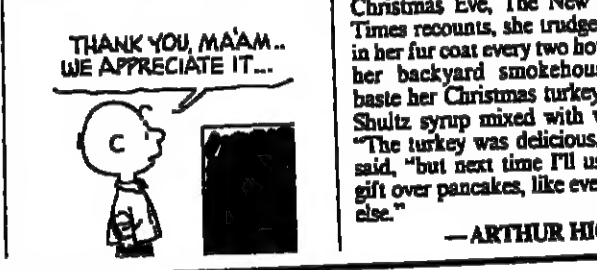
Source: Frontier Health Care Task Force

among 28 democratic countries from 1969 to 1986, according to a Library of Congress study requested by Representative Mario Biaggi, Democrat of New York. He has been pressing for Sunday voting and for allowing citizens to register and vote on the same day.

The real Uncle Tom's cabin is now the wing of a house in that part of the Washington suburb of Rockville, Maryland, that was once the plantation where Josiah Henson, the main inspiration for Harriet Beecher Stowe's novel, spent 30 years as a slave. He later escaped to Canada and became a Methodist preacher, author, lecturer and businessman. The sturdy cabin survived subdivision and development and now serves Marcel Mallet-Prevost, a lawyer, and his wife, Hildegarde, as a den. There are no plaques or tour buses. Said Mrs. Mallet-Prevost, "I don't want four groups traipsing through the house thinking, 'When did she wash those curtains last?'"

Notes About People

Charles Schulz, the "Peanuts" cartoonist, made \$25 million last year from his comic strip and the licensing agreements that have grown from it, Forbes magazine



China to Cut Textile Sales To the U.S.

By Stuart Auerbach

WASHINGTON — The American textile and apparel industry has criticized as insufficient an agreement with China to reduce greatly the rapid growth of its textile shipments to the United States.

This year, China became the leading foreign supplier of fabric and clothing to the United States. The agreement, reached here early Saturday after six rounds of negotiations that started in February, will limit the growth of Chinese sales of textiles to the United States to about 3 percent a year for the next four years.

That is a sharp cutback from the average growth of 45 percent a year it has maintained over the past several years. This year, Chinese textile imports are growing at a 19-percent rate and they climbed 63 percent in 1986.

"Since China is our largest supplier of textile and apparel in volume terms," said Clayton K. Yenter, the U.S. trade representative, "this is another significant step in controlling textile and apparel imports into the United States."

But the textile and apparel industry, which is pressing Congress to pass a quota bill, attacked the agreement as too liberal.

"This means that China will continue to take an ever larger share of our markets and U.S. workers will continue to lose jobs to the Chinese," said Robert G. Luidlaw, president of the American Textile Manufacturers Institute.

He said the growth of China's textile imports to the United States should have been limited to less than 1 percent a year, the same increase allowed the other four major suppliers — Taiwan, Hong Kong, South Korea and Japan.

China supplies about 14 percent of the textiles and clothing imported to the U.S. market — the equivalent of 1.9 billion square yards (1.6 billion square meters) of fabric.

Taiwan, which has been the leading supplier until this year, supplies 12 percent of U.S. textile imports.

Hong Kong and South Korea each account for about 9 percent of U.S. imports. Japan accounts for 5 percent of the U.S. market.

Junta Tightens Grip on Elections in Haiti

By Lindsey Gruson

New York Times Service

PORT-AU-PRINCE, Haiti — The military-dominated government has published an election law that bars independent observers but not soldiers from polling stations and lets the authorities monitor every voter's ballot.

The law, published Saturday, also provides penalties of up to two years in prison and \$200 in fines for anyone who urges people to abstain "mistakenly" from voting. This appears to be a reaction to calls by the four leading presidential candidates for a boycott of an election scheduled for next month.

The government canceled a national election Nov. 29 after soldiers and others killed 34 voters.

The law virtually guarantees more political turbulence in Haiti and appears tailored to the desires of the junta led by Lieutenant General Henri Namphy. The government will retain a major role in the elections Jan. 17 and not concede authority to an independent civilian electoral board.

In what seems to be a violation of Haiti's constitution, the law allows soldiers into voting stations.

It also provides for fines of up to \$200 and 25-day prison sentences for "unjustified" challenges of a candidate's qualifications, a move thought to be intended to prevent Haitians from challenging the candidacies of supporters of the deposed president, Jean-Claude Duvalier, who went into exile in February 1986.

"It's an open door to all kinds of machinations," said Ernst Mirville, president of the civilian group that organized the November vote.

Earlier attempts by the Namphy government and the 7,500-member army to maintain a firm grip on the election led to a wave of opposition from the leading presidential candidates and a wide range of religious and civic groups.

When General Namphy, the chief of staff under Mr. Duvalier, tried to overrule the first election law in June and issue rules by decree, strikes and protests forced him to back down.

"The regime in June tried its first coup d'état," Mr. Mirville said. "Now they're doing it once again."

The government's campaign to control the Jan. 17 election has been denounced by the Roman Catholic Church, many civic and labor organizations and the four leading presidential candidates: Marc Bazin, 55, an economist; Gerard Gourgue, 61, a lawyer and human rights activist; Louis Dejoie, 59, a contractor; and Sylvio Claude, 55, a Baptist minister.

The four, who are considered likely to command 80 percent of the vote, have demanded that the government resign. They have vowed to work together to boycott the vote.

Mr. Dejoie called the new law a transparent attempt to protect the Duvalier secret police, known as the Tontons Macoutes, and rig the election.

"The junta wrote it to keep themselves in power," he said. Aides to Mr. Gourgue and Mr. Bazin said they had not seen the law and could not comment.

A spokesman for the U.S. Embassy declined to comment. The United States took the lead in promoting the first round of elections and later criticized the junta for rescheduling the balloting.

The original election law, which was written after months of deliberation, differs from that published Saturday in several points that together give the junta a large measure of control over each step of the campaign and the balloting.

The most important difference is that the new law may open the door of the presidential palace to rightist allies of Mr. Duvalier and the army. The relevant clause gives the junta's handpicked Supreme Court the authority to review all electoral council decisions, including who has the constitutional right to run.

Under the constitution approved overwhelmingly March 29, any Haitian who helped keep Jean-Claude Duvalier or his predecessor, his father, François, in power is barred from holding public office for 10 years.

In a decision that touched off a wave of arson and violence, the Electoral Council used that provision to disqualify 12 of the 34 registered presidential candidates, including Mr. Duvalier's longtime finance minister, Clovis Desnor, and the former army chief of staff, Claude Raymond. Mr. Desnor said he planned to run in the Jan. 17 election.

Radio Says West German In Beirut To Be Freed Soon

United Press International

BEIRUT — A Beirut radio station has reported that a West German captive will be freed within a week, while wives of three U.S. hostages and an Indian hostage called on the captors to inform them of their husbands' condition.

Christian Voice of Lebanon radio, quoting unnamed diplomatic sources, said Rudolf Cordes "will be freed by the middle of next week or at its end." Mr. Cordes, 53, was kidnapped outside Beirut on Jan. 17.

The report followed mounting speculation that Mr. Cordes' release was imminent. The West German's abduction is linked to the arrest in Bonn of Mohammed Ali Hamadei, a Lebanese Shiite, because of the 1985 hijacking of a TWA airliner to Beirut.

In a statement, the wives of three American professors and an Indian colleague held in Lebanon urged

the captors to free their husbands. Robert Polhill, 52, an accountant, Jesse Turner, 39, a mathematician professor, Alan Stein, 47, a communications professor and Dr. Mithuleswar Singh, in his sixties, were kidnapped Jan. 24.

There are eight Americans being held hostage in Lebanon, among 19 foreign captives.

The Italian community in Lebanon also appealed for information on Alberto Molinari, 68, an Italian businessman who disappeared in Beirut more than two years ago. The appeal by Mr. Molinari's family and Lebanese-based Italians appeared in Beirut newspapers.

Syria, Oman Establish Ties

Reuters

DAMASCUS — Syria and Oman have agreed to establish diplomatic relations and exchange ambassadors, the Syrian press agency SANA said Sunday.



Sandinist Shortcomings: A List

Military Plan Shows Haphazard Organization, Shortages

By Richard Halloran

New York Times Service

WASHINGTON — A Nicaraguan military plan made public by the U.S. Defense Department portrays a haphazardly organized and equipped Sandinist armed force that is short of not only weapons and ammunition but also basics like food, clothing and medicine.

The plan, which Pentagon officials said was brought to Washington by a Sandinist defector, Major Roger Miranda Bengoechea, indicates that the Sandinists are almost totally dependent on the Soviet Union but that the Russians have been erratic and unreliable suppliers.

The document brought by Major Miranda is authentic, Pentagon officials said, but was not intended for publication in Nicaragua. It thus provides an unusual insight into the Sandinist view of their armed forces and military situation.

That outlook differs markedly from the assessment of the Reagan administration, which has described the Sandinist government as bent on offensive military operations intended to expand Nicaraguan power over neighbors.

The document envisions the defeat of the contras by 1990, after which, it says, the United States, with its long history of intervention in Central America, may invade Nicaragua.

Between 1991 and 1995, the document says, it will be vital to build

an armed force that "will more convincingly avert the possibility of a direct invasion by American troops and assure their defeat should the invasion occur."

It calls for gradually converting the armed forces from their present counterinsurgency mission, with units organized to fight the U.S.-backed rebels, to a more conventional force.

Many weapons the Sandinists seek from the Soviet Union are mainly defensive — anti-tank guns, anti-aircraft artillery, minesweepers to clear harbors. The 12 MIG-21 fighter planes sought from the Soviet Union were designed to intercept invading aircraft, although they can also be fitted for ground attack.

The needs of the Sandinist forces and the failure of the Soviet Union to provide them are evident throughout the document. In an early passage, it said, "It is vital to secure a supplemental order of arms, technical support, materiel and logistics not furnished by the Soviet Union."

Over the next two years, the document said, the government plans to organize "100 new battalions of local forces arming them with rifles." The forces of the Sandinist People's Militia would consist of approximately 800 men per battalion.

Rather than become an offensive force, these battalions "shall enhance the country's capacity for waging the people's national patri-

otic war, ensuring massive popular support for defense," the plan says. That appears to be a euphemism for guerrilla war against an invader.

A long list reflects the erratic nature of the Soviet supply line. It shows that the Sandinists, having negotiated a munitions list with their Soviet allies, have a shortage in one kind of rifle ammunition and an excess in another. They have the agreed number of anti-tank rounds, not enough of one sort of rockets and too many anti-aircraft rounds.

The plan underscored Nicaragua's economic plight when it said Managua would request the annual supply of 16,000 tons of foodstuffs furnished to the Ministry of Defense by the Soviet government.

Similar passages reflected the need for clothing "for the continued support of more than 80,000 men," medical supplies, hospital equipment and ambulances and fuels and lubricants for military vehicles.

Looking further to the future, the plan said that while large quantities of Soviet arms were to be requested from 1991 to 1995, the main expansion would take place in the militia. With 323,400 men to be conscripted, in addition to the 80,000 formed into battalions from 1988 to 1990, the militiamen would make up the bulk of the armed forces.

Emergency Is Declared

Nicaragua, hit by a drought that wiped out 75 percent of some basic food crops, has declared a "national food emergency" and called for help from the international community, United Press International reported Sunday from Managua, quoting the official newspaper *Barricada*.

A presidential decree published Sunday in *Barricada* said that the drought had destroyed 75 percent of the bean crop, 45 percent of the sorghum crop, 25 percent of the corn crop and 10 percent of the rice crop.

Economists here cite a number of other reasons for the economic decline, including mismanagement of the state-controlled economy, falling prices for agricultural exports, a drain of professionals and little investment by businessmen, who lack confidence in the economy or fear having their companies expropriated.

A U.S. trade embargo is seen as having relatively little effect. American goods and markets have been replaced by European and Soviet-bloc markets.

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Herald Tribune

Published With The New York Times and The Washington Post

Good Work in Italy

Courage and stamina are qualities that can win great rewards in government. For Italy's government, they have won a historic triumph over the Mafia. The trial in Palermo of 452 defendants, begun 22 months ago, has ended with the conviction of three-fourths of them and verdicts that include, for 19 life sentences. It would be naive to say that the Mafia has been permanently crippled, but much of its leadership is apparently among those convicted.

All of the judges, prosecutors, jurors and police who took part in this enormous complex proceeding did so at great personal risk. By the late 1970s, Mafia murders were in the range of 500 a year, and political rank was no protection. In 1980 the president of the Sicilian regional government was assassinated for trying to interfere with construction racketeering. Two years later the head of the Sicilian Communist Party was similarly shot down. The government then sent to Sicily the Carabinieri general who had run the successful battle against the terrorist Red Brigades, and four months after his arrival, while he was driving through the center of Palermo, he and his wife were shot dead.

Until then the Italian government had

never taken any very forceful action against the Mafia. Ever since the Fascist experience, Italians have preferred to keep their police organizations weak. Cynics also observed that the Mafia controlled many votes as well as much money. But the murder of the general finally brought a reaction. The government gave the police wider investigative powers, and prosecutors began to move as they had never done before. Three years ago, for the first time, a Mafia chieftain under arrest turned state's evidence. Last week's verdicts were the result. Italy's struggles with political terrorism in the 1970s attracted enormous attention, and deservedly. But the Red Brigades at their height were never the threat to the integrity of the Italian government, and to the basic decency of Italian life, that the Mafia had become. These verdicts are an important blow against the worldwide traffic in drugs and will have direct benefits to the United States. More important, Italy has begun to bring to justice a criminal conspiracy swollen to a degree of wealth and arrogance that seemed for a time to challenge the state itself for control of parts of the country.

—THE WASHINGTON POST.

Who Thinks of Gaza?

"If you prick us, do we not bleed?" The Palestinians of the Gaza Strip can ask this of the world, much as Shakespeare's Shylock demanded of his tormentors.

Neither Egypt nor Jordan wants these Palestinians, more than 500,000 of them. Neither Saudi Arabia nor Kuwait nor other oil-rich sheikdoms will help them. And so, in the last few years, the Palestinians of Gaza have become solely the problem of Israel. And Israel offers neither solution nor policy, only riot control. Arab leaders watch Israel's predicament with a kind of glee.

Technically, no one has an answer for this 30-by-6-mile (48-by-10-kilometer) camp inhabited mostly by refugees who live in desperate poverty, without economic or political hope. To protest their fate, they declared a general strike last week. Soldiers moved in to maintain order. People were killed on both sides in the worst outbreak of violence since Israeli occupation began in 1967. The riots have spread to East Jerusalem as well.

Egypt will not even consider resuming its trusteeship over the strip, which lasted from 1948 until the 1967 war. Jordan concentrates its attention almost exclusively on the West Bank Palestinians. Israel's approach is to deal with the Gaza Strip issue in the context of overall Middle East talks — except that it resists having any such talks at this time. When the strike began, the only thing Israel could think of was to send in troops. As Yitzhak Rabin, the defense minister, said, Israel has learned the "hard way" not to give in "to the use of force and to the use of terror." In Washington the State Department urged Israel at least to stop using live ammunition, to employ only non-lethal means and to establish a riot control force instead of using regular forces untrained in population control. High officials in Israel made the usual noises about negotiations, and about the hopelessness of Gaza. Meanwhile, Gaza bleeds.

—THE NEW YORK TIMES.

No Way to Govern

Congress is about to send the president one gigantic, take-it-or-leave-it appropriations bill for fiscal 1988. It is bad enough that the bill is not even arriving until the fiscal year is almost three months gone. Worse, it is loaded with trivia, fakery and irrelevant controversy, and forces on President Reagan a \$600 billion choice. He must accept every detail of this bill, or if he wants to block a single one, must veto the whole thing. It's a crazy way to govern.

Normally there are 13 annual appropriations bills, approved separately, which the president can pass on one by one before the fiscal year starts each Oct. 1. Because Congress has developed bad habits, this omnibus measure lumps them all together.

The trouble began with the "continuing resolution," invented some years ago as a convenient device to allow more time to work on one or two unfinished bills beyond the fiscal year deadline. As years passed, more bills got stalled, and the omnibus bill was born. An all-or-nothing package because a device to insulate programs that would surely be vetoed if they stood alone.

Last year all 13 bills were welded together for the first time. This year Congress has compounded its recklessness by rushing two omnibus money bills to completion at the last minute. In addition to the \$600 billion appropriations monster, it is offering a companion "reconciliation" bill that covers federal revenues and programs that do not get annual appropriations, like Medicare.

As soon as they dump both measures on Mr. Reagan's desk, the lawmakers will hurry

home for Christmas. If a veto shortens their holiday, they asked for it. The president could well reject the whole bill because of one extraneous amendment, like one to incorporate the broadcast "fairness doctrine" into statute, an idea he has already vetoed.

Congress is not entirely to blame. Year after year, the president has sent up counter-budges and then refused to compromise. Not until last month was there even a rough outline of mutually acceptable spending cuts and revenue increases for fiscal 1988.

Republicans have done the most obstructing in Congress this year, but a Republican senator, Dan Evans of Washington, deserves credit for trying to save the Senate from itself. He proposed that the omnibus bill be divided into its 13 component parts by the conference committee. He lost, 51-44, but it is mildly encouraging that so many senators voted for sensible reform.

In the end, no procedure can make the members of Congress behave responsibly. They have shown that they can outmaneuver any rules they write to keep themselves honest. Nor is there any salvation in giving the president authority to veto items line by line. That would only increase his already formidable power to twist arms.

As long as the White House and Congress are controlled by different parties, there may be no remedy. Neither party will cede power over the purse to the other. But if there is any doubt that an answer is needed, just listen for the thump when this year's omnibus bill hits the president's desk.

—THE NEW YORK TIMES.

Keep Paying, for Now

Congress should vote enough aid to keep the counting going for now. To squeeze out the counting at this point, while they are still a presence affecting the bargaining, would be self-defeating. This requires a little give on all sides. When Nicaraguans of opposing persuasions are being called upon to make huge concessions, it is self-indulgent for Americans not to make small ones. We have especially in mind House Democrats who want to burden the token bridge aid now under discussion with arbitrary restrictions on its use. That is unhelpful posturing. The Reagan administration is flexible by comparison.

Events are building toward a political climax of sorts in January, when the leaders of Central America are to decide whether the peace plan is working and should be sustained or whether it is failing and must be abandoned. Few people expect the latter verdict. Not only are the implications of deepening and spreading war, too frightful for most Latins to contemplate. The actual state of observance is going to be mixed. The choice in January is not going to be a stark up or down. The question will be whether to keep up energy toward a settlement or to relapse into a condition of sloth

on some fronts and confrontation on others. To play its part in preventing the Arias plan from becoming "another Contadora" — a time-wasting diplomatic substitute for responsible collective action — the United States has some clear duties.

It should keep up the pressure, as much symbolic as real, of bridge aid to carry the contours into the Latin January stock-taking. It should press full steam ahead to explore Mikhail Gorbachev's hint of an end to military aid to the Sandinistas; evidently this would be linked to defunding the Contras and movement on peace. That the Sandinistas — nervous about Soviet intentions? — speak of a great increase of aid only underlines the requirement to consult. Such a buildup is utterly incompatible with the improvement of Soviet-American relations that Mr. Gorbachev describes as his goal.

Finally, the United States has to do what it can most usefully to hold the Sandinistas to their pledges of a political opening. The U.S. political system is in fact doing this in its rough fashion: keeping open the twin possibilities of toughness if Managua cheats and cooperation if it plays fair.

—THE WASHINGTON POST.

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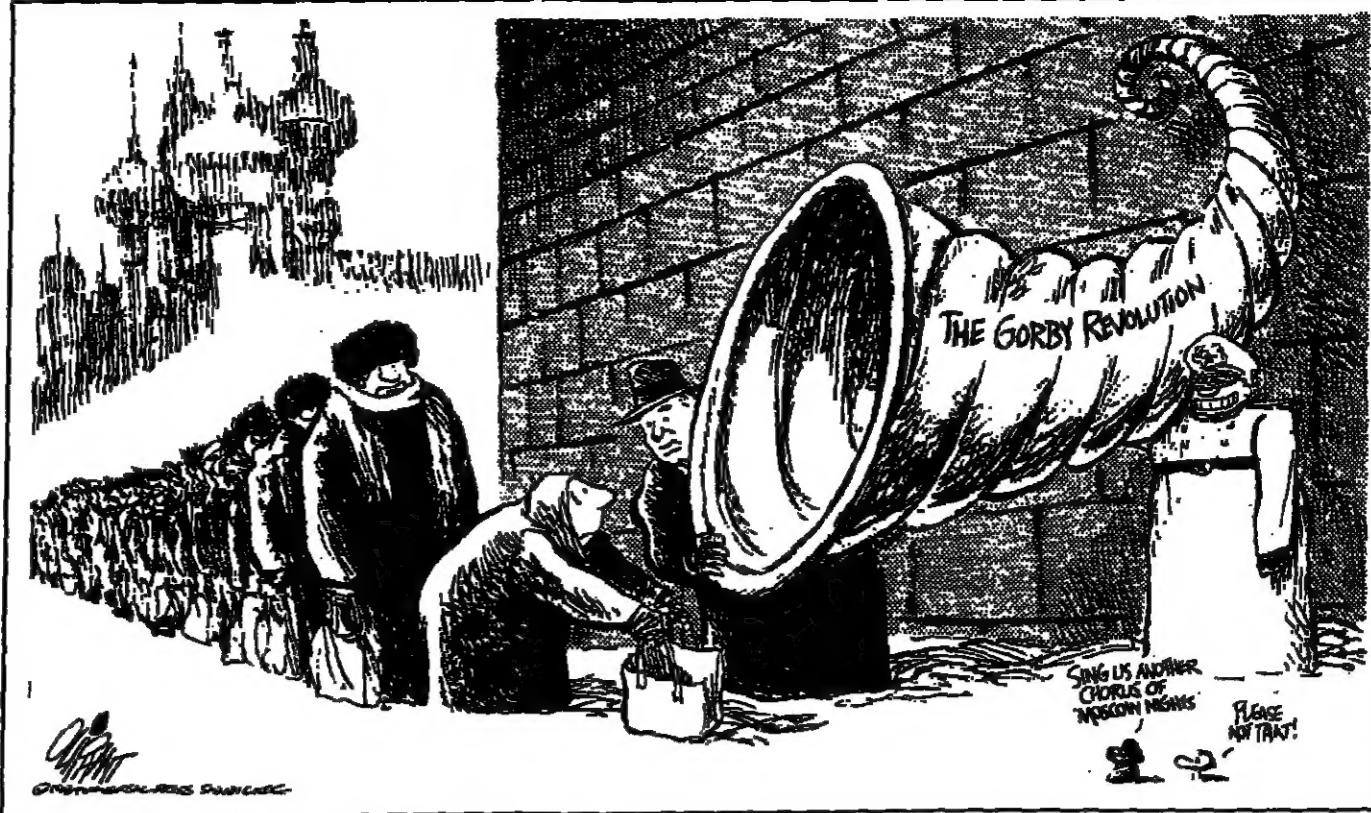
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OPINION



East-West Comity Takes More Than Arms Control

By Ton Frinking

The writer, defense spokesman for the Christian Democratic Appeal party in the Netherlands, is president of the North Atlantic Assembly.

THE HAGUE — Mikhail Gorbachev's book "Perestroika" is a holiday best seller in Europe. His declared goal is one which all people share: to move "from suspicion and hostility to confidence, from a 'balance of fear' to a balance of reason and good will, from narrow nationalist egoism to cooperation."

But it is important to get the facts straight. Mr. Gorbachev engages in some historical restructuring that cannot be allowed to go unanswered.

There are many assertions in the volume that we could argue about, but an egregious example appears in the chapter on relations with Western Europe: "The political division of Europe was started by those who brought about the disintegration of the anti-fascist coalition, launched the Cold War against the socialist countries and set up the NATO bloc as an instrument of military-political confrontation in Europe."

He goes on: "Because of NATO, Europe once again found itself harassed to a chariot of war, this time one loaded with nuclear explosives. And today the main blame for the continued division of Europe must be placed on those who have turned it into an arena of nuclear missile confrontation and are calling for a revision of the European borders, ignoring politico-territorial realities."

It is disappointing to find this kind

of blatant disinformation in an era of supposed glasnost. Because postwar generations have no personal memory of the founding of the North Atlantic Treaty Organization, it is worth reviewing simple truths as we engage the new Soviet leadership in what hopefully can prove the peaceful shaping of a new political reality in Europe.

NATO is an invention born of necessity. Within a year of the conclusion of World War II, the United States, Canada, and the United Kingdom had demobilized their forces from their 1945 collective total of 4.7 million troops to 900,000. But Soviet forces remained on a wartime footing — roughly 6 million troops. Why did the U.S.S.R. maintain that posture when the United Nations Charter, signed on June 26, 1945, promised to usher in a new era of peace? And why, for that matter, does the Warsaw Pact today maintain such a large preponderance of conventional, chemical and nuclear forces far beyond that required for purely defensive needs?

The answer, then as now, is the Soviet aim of hegemony in Europe. During the war, Stalin expanded Soviet borders to cover an additional 470,000 square kilometers of European territory and 23 million people. By

1948, seven countries also fell under Soviet domination — an additional million square kilometers and 90 million people. These conquests were not the result of free democratic elections, and thus it is no accident that vast military power was maintained to consolidate and, possibly, expand again.

Against this background, and coupled with the direct Soviet threat to Western Europe as evidenced by Soviet involvement in the Greek guerrilla campaign, Communist agitation in France and Italy and the Berlin blockade, 12 countries, including the United States and Canada, formed NATO in April 1949. As a purely defensive alliance, the participating states affirmed their determination "to safeguard the freedom, common heritage and civilization of their peoples, founded on the principles of democracy, individual liberty and the rule of law."

Today an alliance of 16 countries endures as a testament to the resolve of free nations to resist the threat or use of force against their territorial integrity and political independence. Such steps, although they cannot be expected overnight, are a prerequisite for normalization of relations. International comity with totalitarian regimes is illusory in the long run.

True common security must encompass respect for basic freedoms, free movement of peoples and ideas, self-determination, the rule of law and nonintervention in internal affairs. Such steps, although they cannot be expected overnight, are a prerequisite for normalization of relations. International comity with totalitarian regimes is illusory in the long run.

International Herald Tribune.

All This American Unemployment Isn't Natural

By Frederick C. Thayer

PITTSBURGH — For a quarter of a century, most American economists, all presidents and virtually all members of Congress have accepted the general idea of a "target," "acceptable" or "natural" rate of unemployment that is needed to keep inflation under control. They argue that when too many people are at work, labor shortages quickly push up wages and prices.

In that quarter century, average annual job rates have moved steadily upward from 4 to 7 percent, which is now considered to be normal. America has had that rate in 10 of the last 12 years. Despite such taut labels as "natural," these high rates have been quite abnormal for at least a century. Except for the great depressions of the 1890s and 1930s, only in 1908, 1914-1915 and 1921 did unemployment rates match those we have seen in the late 1970s and the 1980s.

Dismissing some recent improvements, which may be short-lived, America is having its third-worst jobless period in 100 years. Eventually, tough questions must be asked of a policy that keeps 7 or 8 million people out of work — plus 25 million others who have given up seeking jobs or are working part-time. The jobless are not to blame for their plight.

They are doing precisely what the policy asks of them: not working. Intentional job shortages are the obvious cause of the "welfare problem."

Many politicians promise welfare solutions ("Make them work!" "Train them!"), but this is pretense. Problem-solvers in the administration, Congress, a governor's mansion or the presidential campaign would be embarrassed today to demand large-scale creation of jobs and an end to the unemployment policy.

Just as economists and policy makers use theories and misleading data to rationalize the unemployment crisis out of existence, so, too, do they rationalize a depression in manufacturing.

While the official "capacity utilization" rate for American industry is creeping past 81 percent (which is dangerously high, according to economists), that figure measures only the capacity used by existing plants. Not counted are factories that have been mothballed, and the capacity of overseas factories. Properly stated, global overcapacity in most basic industries, like steel and autos, is running at 40 to 50 percent. Many

historians, along with Presidents Herbert Hoover and Franklin D. Roosevelt, have cited as the recurring cause of great depressions excessive competition leading to overcapacity. Yet what do economists prescribe most commonly for America's industrial ills? Less "consumption," which means lower wages and cuts in Social Security benefits, and investment in more capacity, which means higher fees for the investment banks that finance that capacity.

The answer to the "welfare problem" is at least 10 million stable jobs, but there is only one way to create them. Infrastructure (public works, environment, education, transportation) badly needs attention. Why not replace bridges and clean up the environment before disasters occur?

The need is for much more public spending, not less. The problem of global overcapacity demands some form of multinational planning, and even price and wage controls are preferable to the chronic mass unemployment that is now the callosities underpinning of economic policy.

The writer is professor of public and international affairs at the University of Pittsburgh. He contributed this comment to The New York Times.

More Than Unrest in Gaza, and No Solution in Sight

By Hirsch Goodman

JERUSALEM — Veteran commentators who covered events in the Gaza Strip this past week say they have never seen anything like it — the anger and hatred, the sheer ferocity of the thousands of youngsters hurling rocks and homemade firebombs at their Israeli occupiers, undaunted by either the gas canisters or the gunfire that greeted them. Young Palestinians, wearing red-and-white checked keffiyehs not to hide their faces but as a badge of honor, charged the Israeli troops as if looking to become martyrs, their defiance taking the Israelis, used to supplication, by surprise.

Columnists were quick to interpret events as the dawn of a new age in Israel's relations with the 1.2 million Palestinians in the areas it has occupied since 1967. This was more than civil unrest, they claimed; it was the beginning of a civil rebellion.

They may be right. The youngsters in Gaza and several cities on the West Bank where riots erupted this month have not received terrorist training, nor are they members of a terrorist organization. They are members of that Palestinian generation that grew up knowing nothing but occupation. Violence, hatred, fear and suspicion, action and counteraction have become integral parts of their day-to-day life.

For 20 years the current generations of Palestinians manning the roadblocks and turning universities and high schools into battlefields have watched with growing frustration as 60,000 Israelis settled the West Bank and Gaza, with little reaction from their own leadership, the Palestine Liberation Organization, or their Arab brethren to stop the process.

The Palestinian issue was wholly disregarded at the recent Amman summit, the main focus of attention being the Iraq-Iran War. Nine Arab nations have renewed their diplomatic ties with Egypt in recent months without any concessions demanded on the Palestinian issue. The PLO remains at

odds not only with the Arab world but with itself, tangled as ever in intricate strife and diplomatic intrigue. No wonder the frustration in Jenin, Tulikarm, East Jerusalem and Gaza. And no wonder that in this environment the slightest spark becomes a flashpoint for battles between young Palestinians with nothing to lose and the Israeli army, which is having an increasingly difficult time dealing with the new phenomenon. Each casualty creates a new martyr and yet another reason for a snowball of violence.

It has become increasingly clear to Israeli policy makers, even on the right, that the situation has all the essentials of a dangerous dynamic. Notwithstanding the government's reassurances that this latest outbreak is but a passing phase, ministers will privately tell you that they are worried and depressed. Worse, they have no new ideas about how to alter things.

Labor Party ministers bemoan the death of the international conference, blaming the obduracy of the conservative Likud Bloc for the failure; those in Likud are frustrated by the demographic and political realities that are slowly cracking the dream of the perfect Eretz Yisrael, or biblical land of Israel, which would include all of Judea, Samaria and Gaza.

The case of Gaza explains why: Wedged between Israel and the Mediterranean, it is undoubtedly one of the most intractable places on Earth. With an area of only 130 square miles (340 square kilometers), it is also one of the most densely populated. More than two-thirds of its people live in refugee camps created after the 1948 Palestinian exodus from Palestine. For 19 years, until conquered by Israel in 1967, it was left to fester by the Egyptians, and to this day its schools, relief organizations and hospitals are run by international agencies.

According to demographers who re-

cently submitted a study to the Israeli Ministry of Defense, by the year 2000 Gaza will have a population of almost 1 million with the mean age of 14, a longer life expectancy and a lower infant mortality rate. According to their calculations, by then the number of refugees will have grown to 800,000. If the current rate of refugee rehabilitation is maintained, they will remain living in refugee camps for the next 900 years, be faced with a shortage of drinking water and with smaller land parcels, making agricultural expansion, their only source of income, impossible. Some will find work in Israel, but most will remain dependent on international charity.

Likud faces a no-win situation. Even if it succeeds in moving in the 20,000 settlers it plans to have in Gaza (an increase of more than 15 times the current number) by the year 2000, Jews will still be less than 2 percent of the total population. With each passing year that percentage will diminish, forcing even the staunchest nationalists to have deep second thoughts about the situation.

Frustration is not only to be found on the Arab side of the Green Line. What makes the situation even more depressing for the many Israelis who would like to see a political settlement for the growing nightmare of occupation is that they, too, can see no solution — only a political vacuum inflamed by the type of violence witnessed this past week, which ultimately can serve only to create more fanaticism on both sides.

While rocks have replaced dialogue, the demography on the Jewish side is changing, too. Political trends, perhaps not unrelated to the violence we live with, are becoming more religious; 55 percent of Israel's people come from a Sephardic, or southern European background, traditionally

staunch supporters of Likud. Moreover, immigration trends are bolstering the Israeli right. Of the immigrants who came to Israel from the United States last year, for example, 78 percent were Orthodox and 54 percent settled on the West Bank.

So while the world reacts to last week's events and the columnists ponder whether Israel faces civil rebellion or not, the reality of the matter is that things will probably get a lot worse before they get better. Unless, of course, the unlikely happens and some leader has the foresight to lead Israel back to peace in the promised land.

The writer is defense correspondent for the Jerusalem Post. He contributed this comment to the Los Angeles Times.

100, 75 AND 50 YEARS AGO

1887: War Inevitable

PARIS — [The Herald says:] War between Russia and Austria is felt to be inevitable; but it may not take place for months, or even years. Both are steadily augmenting their forces. Austria, if she is wise, will never attempt to make an obstinate defense of Galicia, but will adopt a Fabian policy. The Austrians will delay the Russian advance by retiring slowly, destroying roads and bridges, and make the real struggle in the narrow valleys of the Carpathians.

1912: Morgan Testifies

NEW YORK — J. Pierpont Morgan returned from Washington Jan. 20, 1912, apparently well satisfied with the evidence he had given. Wall Street is equally satisfied, and the financiers declare that the "money king's" six hours' examination badly punctured the "Money Trust" bubble. In his evidence he said his rule of conduct in regard to great ventures associated

with his name was: "If it is good for the country's business and the country's interest, do it." The House investigating committee has sought to prove that Messrs. J.P. Morgan and J.D. Rockefeller controlled between them 36 percent of the active wealth and natural resources of the United States. It is exceedingly doubtful if in its final report the committee will decide that there is a "Money Trust."

1937: Ludendorff Dies

MUNICH — General Erich Ludendorff, the military brains of Germany during the World War, died in a hospital here today [Dec. 20]. He was 72 years old. The former quartermaster general, who maintained that he was responsible for the U-boat campaign, had been ill from a bladder ailment for nearly a month. He was promoted to general chief of staff of all forces in the field on August 29, 1916. He mapped out the Hindenburg program and was the master mind behind early German successes in the war.

Democrats, It's Time To Wake Up

By James Reston

WASHINGTON — The only possible explanation of the Democrats' campaign for the presidency is that somehow it is being run by the Republicans.

They have made every mistake in the book except bringing back Ted Kennedy. Their best man won't run and their worst won't quit. It would be funny if it weren't so serious.

Here is a party that has lost four of the last five presidential elections. It had a good chance of winning in 1968 against a party that has presided over the most alarming budget and trade deficits in the history of the republic, but what does it do? It fields a team that has not impressed the voters but affronted them with a series of personal monkeyshines that have overshadowed the political issues.

Gary Hart is making a laughing stock of his party. He treats it the way he treats his wife: as a personal convenience. By returning to the race, he kicked it when it was down and proved for the second time that his judgment is as bad as his conduct.

Let the people decide, he says. But the people have already run him out of town and are now likely to welcome him back because, with his customary modesty, he says, "I have the power of ideas and I can govern this country."

He is like the boy who murdered his parents and asked for sympathy on the ground that he was an orphan. His chutzpah has a new level of political arrogance, and the surprising thing about it is that so many people are taking him seriously.

Maybe they will keep him on top of the personality polls. The monkeyshine vote in America is very large. But when the leaders of his party reflect on what he has done to them, they may begin to take a whole new look at this astonishing campaign.

In George Bush and Bob Dole the Republicans have at least come up with two experienced front-runners, and while there is some thunder on the Republican right, it is not surprising that Mr. Bush and Mr. Dole are leading all the Democratic candidates.

Also, since the visit of General Secretary Mikhail Gorbachev, both parties have had a glimpse of the energy and intelligence of the Soviet leader that the next president of the United States will have to face on the pressing questions of world policy.

Something happened to a party that is out of the White House that long. For one thing, it does not have the power to put its young men and women in the executive departments and agencies where they can gain the experience and build the foundation that every party needs to survive. Already it is hard to imagine whom the Democrats would put in the State Department and the other major agencies or government departments if by chance they were to win next November.

As things now stand, their main hope lies in what the country fears the most: that foreign nations will stop financing the present borrow-and-spend policy and the economy will go sour next year. Yet there is still a chance, not much but some, that the Democrats will come to their senses and insist on considering new candidates not yet in the race.

If the Democratic voters don't like the men now seeking their votes, all they have to do is express their dissatisfaction by staying home on primary election day, thus making clear to the convention delegates that nobody has enough votes to win the nomination on the first or second ballot.

It is an unlikely scenario, but not entirely silly unless the Democrats have decided, as some of them already have, that the Republicans should have four more years in the White House to preside over the deficits of the last seven years.

Governor Mario Cuomo of New York and Senators Bill Bradley of New Jersey and Sam Nunn of Georgia insist that they will not run but have not said they cannot be drafted.

A nominating convention is supposed to be a deliberative body that picks the person best qualified to govern the country, and not a rubber stamp for the winner of a few state primary elections and caucuses.

The primary and caucus system has produced Ronald Reagan, Jimmy Carter, Richard Nixon and Lyndon Johnson — not among the most illustrious of presidents. After all the blundering of the last few years, the world, if not the American voters, is hoping for something better.

The reappearance of Gary Hart on the scene has been helpful in only one respect. He has created such a mess in his party that it will have to wake up, or give up for another four years.

The New York Times.

Journalism

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Congress Reaches Pact With White House on 'Nonlethal' Contra Aid

By Tom Kenworthy and Anne Swardson
Washington Post Service

WASHINGTON — Congress and the Reagan administration, in a compromise that may end a stalemate on the budget, reached a tentative agreement early Sunday on providing \$8 million in short-term "nonlethal aid" to the Nicaraguan rebels, according to officials.

The tentative accord paved the way for passage of a spending bill needed to fund most federal agencies for the next nine months. Its adoption would avert a government shutdown Monday.

The House and Senate began meeting in an unusual Sunday session to pass a one-day, stopgap spending measure that would keep the government operating until they vote on the bill.

Several provisions of the measure, which calls for spending of \$600 billion in the rest of the 1988 fiscal year, remain unresolved. However, the agreement that was apparently reached on aid to the rebels, known as contra, would remove the largest stumbling block.

The spending bill is one of two packages that together would reduce the 1988 federal deficit by \$30.2 billion, as congressional leaders and the administration agreed in November.

Little progress was evident on several issues in the other bill, a \$24 billion "reconciliation" package of tax increases, asset sales and cuts in spending for programs such as farm credit and Medicare, the health insurance program for elderly and disabled Americans.

Although House and Senate negotiators settled late Thursday on a \$9 billion tax increase bill aimed at corporations and wealthy individuals, they have made less headway on spending cuts.

Negotiators said a final agreement on the contra aid package would be subject to review by President Ronald Reagan and congressional leaders.

"We believe we've reached an agreement in principle subject to looking at it on paper," said Senator Warren B. Rudman, Republican of New Hampshire.

Although the government technically ran out of money at 12:01 A.M. Saturday, the impact was negligible since most government offices were closed.

The new contra aid would be included in a \$600 billion catchall spending bill to fund most government operations for nine months.

Jim Wright, the Democrat of Texas who is speaker of the House, said the tentative deal would provide the contra with \$8.1 million in nonlethal aid and the transportation funds to get it to Nicaragua.

Under the tentative agreement, previously authorized military aid could be commingled with the new humanitarian aid for the first 12 days of 1988. During the following week, when Central American presidents are to meet on the regional peace process, no military shipments would be permitted.

Following that period, according to Mr. Wright, if Mr. Reagan finds that a cease-fire is not in effect because of the Nicaraguan government's lack of good faith, the military and nonlethal aid could again be joined until Feb. 4. Congress then would vote on whether to continue mixed deliveries of aid.

The government has functioned since Oct. 1, the beginning of the fiscal year, under a series of stopgap funding measures.

Earlier, House Democrats backed off their position that previously authorized military assistance could not be commingled with the nonlethal aid, which is limited to food, shelter, clothing and medical supplies. Under current law, military aid must cease by Dec. 31.



Benazir Bhutto with her husband, Asif Ali Zardari, at their wedding.

Vote Is Seen as Bhutto Setback

Pakistanis Also Seem to Confer Legitimacy on Junejo

By Steven R. Weisman
New York Times Service

KARACHI, Pakistan — The success of Prime Minister Mohammed Khan Junejo's party in local elections is widely seen as an important step in his quest for political legitimacy.

The voting last month also dealt a serious setback to the opposition drive of Benazir Bhutto, the popular daughter of former Prime Minister Zulfikar Ali Bhutto. Miss Bhutto's marriage Friday drew more than 100,000 exuberant supporters here.

In the Nov. 30 elections, Pakistanis chose candidates to fill 70,000 positions in local government throughout the country. Although few of those running had national reputations, and there were no major issues at stake, the

balloting was watched for clues to public sentiment.

Officially, the candidates ran without party affiliations. But the major political parties used their organizations to back them.

The voting thus marked the first significant test of party strength since President Mohammed Zia ul-Haq ended martial law and allowed political parties at the end of 1985.

Mr. Junejo said Pakistanis gave his government a vote of confidence, showing that they were no longer "duped with catchy slogans" of the opposition.

He promised that elections for Parliament would take place on schedule in 1990 and that political parties would be allowed to run candidates.

Miss Bhutto's political organization, the Pakistan People's Party, had hoped to demonstrate that it could translate her popular appeal into votes.

Instead, her party was badly defeated in Punjab, Pakistan's most populous province, and achieved mixed results at best in her home province, Sind.

Her organization, which was built by her father, did better in the North-West Frontier Province.

But to the surprise of many analysts, Mr. Junejo's relatively new organization, the Pakistan Muslim League, won most seats in the Punjab, and predicted that it would end as allies with the victors in many other areas.

General Zia, who took power after overthrowing Mr. Bhutto in 1977, generally continues to be seen as the dominant political figure in Pakistan.

But Mr. Junejo has worked hard to establish an independent reputation and, in some cases, has moved away from his patron. For example, he recently eased out Pakistan's longtime foreign minister, Sahabzada Yaqub Khan, a close associate of General Zia.

Meanwhile, Mr. Junejo reconstituted the old Pakistan Muslim League, an organization that fought for Pakistan's independence in 1947 but that had deteriorated into squabbling factions in recent years.

The party drew strength from business people, professionals, landlords, some clergymen and other powerful interests fearful of Miss Bhutto and other opposition leaders.

Miss Bhutto said the voting was rigged, but she said, "We suffered a serious organizational failure." He said the Muslim League had succeeded beyond anyone's expectations in galvanizing support, especially among young, middle-class Pakistanis eager to acquire consumer goods and help their families.

Miss Bhutto's wedding brought a flood of emotions for those around the 34-year-old opposition leader. Miss Bhutto's father was executed in 1979 by the man Miss Bhutto seeks to succeed, General Zia.

Among the sentiments was relief for Miss Bhutto's mother, who negotiated her daughter's marriage last summer, along with a nagging uncertainty among many over whether her new status would help or hinder her political movement.

Politicians said that while a conservative Muslim society like Pakistan would expect a young woman like Miss Bhutto to marry, much of

Kasparov Remains Chess Champion, Vows to Fight Game's Bureaucracy

By Paul Delaney
New York Times Service

SEVILLE, Spain — Garri Kasparov has retained his world chess title by mounting a pressing, aggressive attack to defeat the challenger, Anatoli Karpov, in the final game of their match.

Mr. Kasparov will remain champion until 1990, when he will have to defend his title.

Mr. Kasparov came into Game 24 trailing in the match 11-12 after committing a series of mistakes and losing the 23d game Thursday night. By winning Saturday, Mr. Kasparov won the match under a rule allowing the champion to retain the title if the score is tied at 12-12.

If Mr. Karpov had forced a draw, which would have given each contestant a half point, he would have retained the title he had held for 10 years until losing to Mr. Kasparov two years ago.

But after sparring with each other during the first two hours Saturday, Mr. Kasparov, 24, forced Mr. Karpov, 36, into positions that eventually became indefensible. After three hours of play in a game that had been adjourned Friday, the challenger resigned, the men shook hands and the packed house at the ornate Lope de Vega Theater erupted into applause and chanting.

With the match ending in a tie, the two players will evenly divide the prize money, which amounts to about \$1.6 million.

[Mr. Kasparov said Sunday he played his best chess of the match in the final game, Reuters reported. "Karpov made me play my strongest," he said. "I did it because I believe in the logical end of each competition. Karpov didn't prove he was stronger."]

[The champion had harsh words for top officials of the International Chess Federation, known by its French acronym FIDE. "I hope some day bureaucratic dictatorship will end for chess players," he said.

(Asked about his feud with FIDE's president, Florencio Campomanes of the Philippines, who was booed off the stage by Spanish chess fans in the final game Saturday night, Mr. Kasparov said: "You see the future of FIDE leadership in Campomanes' face." He added: "Just my title will kill this organization, this title in my hands. Because now we will discover a lot of people who hate this system. And they will do it themselves, just with my protection, the protection of my name.")

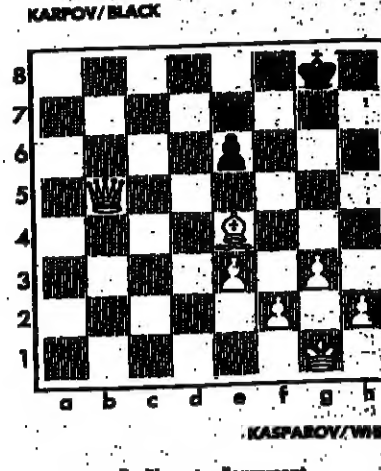
This championship match had gone back and forth since its beginning Oct. 12, and had been tied for the past several games. Mr. Kasparov's aides felt he was playing for a tie, thereby changing from his usual aggressive offense and assuming a defensive stance. Mr. Karpov is noted as a defensive player. Saturday night, the champion reverted to his normal play, and it was enough to win.

With the victory, he has won 17 games to Mr. Karpov's 16 in the 120 championship games the men have played against each other; the rest have been draws. Supporters of both feel that they are the world's best players and are likely to meet again in championship play.

Saturday's game was the completion of the game begun the previous day but adjourned after five hours of even play. When it resumed, the two players appeared to feel each other out in a way that brought one analyst to say, "If they keep this up, they will play until next month."

But then, Mr. Kasparov, playing the white pieces, began to make his move, pressing the attack, attempting to corner the black queen. As he moved in and Mr. Karpov began desperately trying to counter, the audience became quiet as it watched intently.

The champion's expression began to lighten from the seriousness of the past few games. He walked off the stage briefly, and returned to accept Mr. Karpov's resignation.



Iran and Iraq Report Clash Near Basra

By Charles P. Wallace
Los Angeles Times Service

NICOSIA — Iran and Iraq reported Sunday that their armies had clashed near the southern Iraqi city of Basra, but the reports differed sharply about the outcome.

It was difficult to determine the scope of the clashes from the vague communiqués issued by the two sides, but they suggested that the fighting, although serious, was on a relatively small scale.

Western military analysts have been reporting for several weeks that Iran has carried out a buildup of volunteers southeast of Basra. They predicted a major offensive in the next month aimed at capturing the town, Iraq's second-largest city.

They also predicted Iran would begin the campaign with a series of feints aimed at throwing the Iraqis off balance and at drawing troops away from Basra's defense.

Iraq said its forces repelled an Iranian attack made by an estimated two brigades, about 5,000 to 7,000 men, in the Zubaidat area north of Basra.

An Iraqi communiqué said "the bulk of enemy units were destroyed, but no exact casualty figures were given.

Iraq said that four Iraqi battalions were 50 percent to 80 percent destroyed in the fighting Saturday night and that all Iranian forces returned safely to their bases after the operation.

Iran's Islamic Republic News Agency denied Iraqi claims to have destroyed Iranian brigades.

■ **Danish Ship Hit Twice**

Iran's Revolutionary Guards attacked a Danish supertanker in the Gulf twice Saturday and the vessel's captain appealed for help from foreign warships, maritime salvage executives told The Associated Press in Bahrain.

A spokesman for the owners, A.P. Moeller Shipping Co., said in Copenhagen that U.S. warships, which he did not identify, escorted the Karama Maersk through the Strait of Hormuz. There were no casualties, he said.

Antarctica's Late Thaw Called 'Ominous Trend'

By Cass Peterson
Washington Post Service

WASHINGTON — The frigid air over Antarctica took three weeks longer than normal to warm at the onset of the Antarctic spring this year, prompting concern by some scientists that the "ozone hole" discovered over the continent less than three years ago may be affecting global climate.

According to satellite data from the National Aeronautics and Space Administration, the polar vortex — a whirlpool-like mass of extremely cold air that forms over Antarctica in the dark winter months — broke up in late November. The vortex normally breaks up in late October or early November, when spring brings sunlight back to the South Pole and warms the atmosphere.

"This is the latest that it has failed to break up," said Robert Watson, a NASA atmospheric scientist. "It may be what you would expect because there is so little ozone there. What one has to consider are the ramifications."

F. Sherwood Rowland, a University of California scientist and a leading expert in ozone depletion, said the event "could be the first indication of major climatic change. There is no way of judging the impact, but it's an ominous trend."

Other researchers said that it is not certain whether stratospheric temperatures over Antarctica could affect weather patterns.

"I don't think it makes a difference in the troposphere [the atmospheric level closest to the Earth]," said Mark Schoeberl, a NASA scientist. "It means that temperatures in the polar region are still anomalously cold relative to previous years."

Scientists think that the delayed warming is related to a phenomenon first reported by British researchers in 1985 and now known as the ozone hole.

During each Antarctic winter, ozone levels drop drastically before rising to normal again in the spring.

The discovery caused alarm, because ozone protects the Earth and its inhabitants from most of the sun's most damaging ultraviolet rays, which can cause cancer, cataracts and immune-system problems.

Although the phenomenon is not understood fully, recent research tends to buttress theories that the ozone is being destroyed by chlorine molecules from a class of chemicals called chlorofluorocarbons. The process is believed to be aided by Antarctica's unusual atmospheric conditions, including the polar vortex, which traps chlorine molecules and spawns icy stratospheric clouds that enhance chemical reactions.

When the polar vortex breaks up in the spring, ozone levels over Antarctica rise and the hole disappears. Some ozone comes from air moving into Antarctica from other parts of the globe, and some comes from natural reformation of ozone when sunlight strikes the stratosphere.

Scientists theorize that the vortex held on longer this spring because of the magnitude of ozone loss in winter. A research expedition this year found ozone levels down more than 60 percent.

Ozone absorbs radiation and helps heat the atmosphere. Some scientists say the lack of ozone over Antarctica may have slowed the heating necessary to break up the polar vortex.

"If ozone doesn't reform, you get no heating," said Irving Mintzer of the World Resources Institute. "So you get continuing cold that contributes to the formation of stratospheric clouds and may increase ozone depletion. It's yet another of those surprises that have characterized our emerging understanding of the hole."

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ARMS: Battlefield Nuclear Weapons Dividing NATO

(Continued from Page 1)

nuclear arms until agreement has been reached on conventional forces, a process expected to take several years.

Significantly, the Netherlands, despite its inflexible anti-nuclear lobby, has recently decided to keep some U.S. nuclear weapons that it had planned to scrap.

The message appears to be reaching some West Germans.

"West Germany is starting to see the risk, and the talk is shifting from zero-zero to ceilings, with the Soviets coming down to our levels," said Peter Cornier, secretary-general of the North Atlantic Assembly, which groups members of parliaments of NATO countries.

But a French Foreign Ministry official said, "we can easily imagine the West Germans calling for negotiations on the battlefield nuclear weapons once the INF is ratified, especially if the Soviet Union makes an offer."

Discussion of triple-zero is blurred by confusion about what it is.

At a minimum, it covers the remaining nuclear missiles in NATO and the Warsaw Pact primarily Lance missiles in the West and, in the East, Soviet Scud, Frog and other missiles.

"The Soviet Union has 1,300 missiles in this category, NATO has 88, and we want the Soviets to cut back to our level," the West German Foreign Ministry spokesman said. "If this Soviet overture is to be eliminated, NATO would be foolish to ignore the opportunity."

But other Western officials said that this version of triple-zero could quickly expand in negotiations to include the nearly 4,000 other U.S. land-based nuclear arms in Europe, mainly artillery.

The momentum of such a disarmament process could result in "absolute zero" — the withdrawal of all U.S. nuclear-capable warplanes, leaving the French and British deterrents in the political cold.

Staying off "the slippery slope," most officials said, requires the

ISRAEL: Bethlehem Holiday Events May Be Curtailed

(Continued from Page 1)

Cairo to explain Israel's policy in the territories.

Pope John Paul II called Sunday for peace in the region. "That land cannot continue being a theater of violence, of confrontation and of injustice, with suffering for the populations with whom I feel particularly close," he said at the Vatican.

As he spoke, about 50 Arabs and pro-Palestinian Italians gathered under Palestinian flags and a banner that read: "Stop the Genocide of the Palestinian People." The group included 10 Arab ambassadors and the Palestine Liberation Organization's representative in Italy. (AP, UPI, Reuters)

■ **Rioting in Jerusalem**
John Kijner of The New York Times reported earlier from Jerusalem:

Palestinian rioting spread to Jerusalem on Saturday, with crowds of stone-throwing youths attacking Israeli-owned banks and taking over the streets of the Arab district for hours.

Police officials said it was the worst outbreak of violence in the city in more than a decade.

Crowds of teen-agers poured out of schools Saturday morning, heading for the main commercial artery in East Jerusalem, Salah-ad-din Street, where they set fires and threw up barricades of old furniture, garbage bins, bus stop signs and, in one case, a car.

As police officers firing tear gas chased them, the groups ran and

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EAST: Gorbachev Era Pushes Soviet Bloc Into Ferment

(Continued from Page 1)

Gorbachev prescribed in a landmark speech here in April. Foreseeing Moscow's role as a model for Eastern Europe, he urged the region's leaders to seek out their own new solutions for Communism. The Soviet Union could tolerate diversity among its allies, he indicated, but not their further stagnation.

At the same time, most of the new policies under way in Poland, Hungary, Czechoslovakia and Bulgaria have been broadly linked with Mr. Gorbachev's themes of perestroika, or economic restructuring, and glasnost, or openness. Differences among these countries to some extent reflect a healthy effort to adapt the dominant model for changing Stalinist socialism to national conditions.

Recent events in Eastern Europe have been as ambivalent and cloudy as those in Moscow. While Poland and Hungary introduced aggressive new policy programs this fall, Mr. Gorbachev in Hungary and General Wojciech Jaruzelski in Poland have since said to acknowl-

edge strong public resistance to price rises and other austerity measures.

In Czechoslovakia, a program of reforms put together in the last year of Mr. Husak's administration has been unable to win the full support of party apparatchiks still traumatized by the 1968 "Prague Spring" of Alexander Dubcek. And Mr. Zhivkov in Bulgaria seems stymied in pursuing his own new policy framework, recently postponing a party conference that was to consider it.

A major defeat for the new policies in Hungary or Poland could be a serious blow to Mr. Gorbachev as well. But the Soviet leader may have an important advantage in the region: the broad generational turnover of Communist leadership that, inaugurated by Mr. Husak this week, can be expected to spread to five other East European countries within the next few years.

East Germany's Mr. Honecker, like Mr. Husak, is nearing his 75th birthday, while Hungary's Mr. Kadar and Bulgaria's Mr. Zhivkov have already passed that age. Mr.

Ceausescu is 69 but may have health problems. Even Poland's General Jaruzelski, only 64 and nominally Mr. Gorbachev's best East European ally, may face a serious political threat if his now economic reform falls near year.

If Mr. Husak's retirement and the slow fading of Mr. Kadar in Hungary are any indication, the East European leadership transition will be orderly, bereft of overt Soviet intervention and yet clearly in line with Mr. Gorbachev's interests. As a potential successor to Mr. Kadar, Mr. Grosz has projected the image of a would-be political clone of the Soviet leader.

Even in Prague, where Mr. Jakes has initially pledged allegiance to Mr. Husak's conservative line, Czechoslovak observers said his policy closer to that of Mr. Gorbachev, if only to ensure his own political survival.

"Jakes is a man who has always been good at following a higher leader," said Jiri Dienstbier, a dissident. "And the only leader he has above him now is Gorbachev."

Romanians Face Charges

The deposed head of a truck and tractor factory in Brasov, Romania, Sechi Manole, and a former Communist Party leader in Craiova, Lungu Marin, have been removed from parliament and may face prosecution, according to Agencepres, the Romanian state-run news agency. The Associated Press reported from Vienna.

Workers at Mr. Manole's Red Star factory were reported to have been among the most vociferous protesters in a demonstration in Brasov on Nov. 15.

Mr. Marin was one of several officials who went hunting last month during working hours.

Current

Various small advertisements and notices at the bottom of the page.

EUROBONDS

At This Rate, Profits Won't Be Home for Christmas

By CARL GEWIRTZ
International Herald Tribune

PARIS — The traditional heavy year-end commercial demand for dollars, which normally would give some lift to the exchange rate, is taking an untraditional — and unhelpful — form this year. Dealers report that instead of buying dollars to repatriate profits or dividends to American parent companies, treasurers of U.S. multinationals are borrowing the cash, expecting to make the conversion later at a more profitable exchange rate.

For some treasurers, the waiting game is quite profitable. Companies with sterling or francs to sell can put that cash out on overnight deposit earning more than 8 percent, while the cost of borrowing overnight dollars is 6 1/2 percent.

Treasurers in West Germany don't have it quite so easy. They earn less than 3 percent on their Deutsche mark deposits and still pay 6 1/2 percent for their dollars. Yet that is no deterrent. For if forecasts about a continuing slide in the value of the dollar are correct, the profit made on waiting to convert would more than offset the interest charge.

Traders in Frankfurt say that if there is no dramatic change in the fundamentals, the dollar could be trading at 1.50 to 1.55 DM by early next year. Such a range would mean that a treasurer could save 4.3 to 7.4 percent by not having converted into dollars at last week's record low rate of 1.62 DM.

That conversion gain could more than cover the West German treasurer's cost and of course, leave treasurers in Britain or France sitting with even larger profits since they were earning interest while waiting.

This waiting game, however, only adds to the dollar's weakness by removing from the foreign exchange market the demand for dollars that otherwise would have been there. It is a one-way street for sellers to push the rate down.

Dealers say the dollar is not dropping even more sharply because speculators are showing great caution. Dollars are sold short at the start of trading, and the position is closed out at the end of the day rather than rolled over.

SPECULATORS do not want to get caught by some dramatic overnight development that could push the dollar up. So their early morning sales weaken the currency and their purchases at the end of the day often help to push it back up.

Official intervention to support the currency, dealers say, has virtually disappeared. In addition, speculators are being cautious because the dollar could suddenly bounce back. For example, if there were some new favorable development that led corporate treasurers to end their borrowing and rush to convert into dollars, the spurt in demand could push a rising dollar up sharply.

This readiness to act on a moment's notice is reflected in the treasurers' preference for borrowing overnight money. It is the lowest cost money, and, equally important, gives maximum flexibility for maneuvering.

Rumors of an impending statement from the Group of Seven, which reportedly would stress policy coordination as the means to stabilize exchange rates, did not impress dealers. However, the dollar did end the week above its lows. It was boosted by a \$2-per-barrel drop in oil prices that will relieve worries about incipient inflation everywhere. No doubt, the dollar also was aided by covering of short positions before the weekend.

Uncertainty on where official policy will lead the dollar and interest rates continued to blanket the Eurobond market, where issuers and investors have taken early leave for the holidays.

Salomon Brothers reported "good demand" for the two-year currency warrants sold by Toronto Dominion Bank's London Branch. The 250,000 warrants each entitle holders to buy \$100 at a fixed rate of 1.6393 DM. Offered at a price of \$39, the options come into the money when the exchange rate hits 1.7421 DM.

The two-year life of the warrant appeals to institutional investors who either see the dollar staging a comeback within that time or, for the price, are willing to take a gamble that it will.

But overall, bankers report, investors are unwilling to make new commitments. The only glimmer of activity was in the Deutsche mark sector. Norwegian Mortgage Association of Industry and Trade tapped the market for 75 million DM with five-year notes offered at par bearing a coupon of 5 1/2 percent. Domestic five-year paper was yielding 5.55 percent, and dealers noted that the Norwegian notes would have to trade at a 1 1/4 point discount to equal that yield. In fact, it traded at a discount of 2 1/4 points.

Also on offer were 150 million DM of six-year notes from Thomson-Brandt carrying a coupon of 6 1/2 percent and an offering price of 100 1/4. It traded at a discount of 1 1/4 points.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes	United States	Europe	Asia
DJ Industrials	1,752.30	1,657.04	+5.80 %
DJ 30	1,748.05	1,754.62	+1.28 %
DJ Trans.	767.29	699.00	+9.77 %
S & P 500	242.75	228.74	+6.72 %
S & P 400	284.34	258.34	+5.84 %
S & P 600	287.82	277.37	+6.01 %
NYSE Comp.	139.15	131.79	+5.58 %
FTSE 100	1,771.00	1,651.85	+3.36 %
FTSE 250	1,577.00	1,510.20	+5.17 %
Nikkei 225	22,038.97	22,038.97	+0.91 %
West Germany	1,229.30	1,204.98	+1.98 %
Hong Kong	2,180.44	2,189.58	+9.39 %
World Index	407.40	397.60	+2.45 %

World Index from Morgan Stanley Capital Intl.

Currency Rates

Cross Rates	Unit	Rate	Unit	Rate
Australian \$	1.28	0.75	Swiss franc	1.48
Belgian franc	40.33	0.25	Swedish krona	8.46
British pound	1.63	0.61	Swiss franc	1.48
Canadian dollar	1.27	0.78	Swiss franc	1.48
Deutsche mark	1.62	0.62	Swiss franc	1.48
French franc	6.55	0.15	Swiss franc	1.48
Italian lire	2,036	0.0005	Swiss franc	1.48
Japanese yen	163.63	0.0061	Swiss franc	1.48
Spanish peseta	166.37	0.0060	Swiss franc	1.48
South African rand	1.82	0.55	Swiss franc	1.48
South Korean won	200.00	0.0050	Swiss franc	1.48
Taiwan dollar	24.63	0.0406	Swiss franc	1.48
Thai baht	50.00	0.0200	Swiss franc	1.48
U.S. dollar	1.00	1.00	Swiss franc	1.48
West German mark	1.63	0.61	Swiss franc	1.48

Source: Reuters. Bank of Tokyo (Tokyo); IMF (S&P); BAI (Tokyo); Reuters; Reuters (Tokyo). Other data from Reuters and AP.

Wall Street Bonuses Bring Little Cheer As Profits Shrink, So Do Payouts

By John Meehan
International Herald Tribune

NEW YORK — The Christmas season spells bonus time on Wall Street. But while garland, candy canes and artificial Christmas trees may cheer the otherwise sterile offices in the financial district, the mood is considerably less festive than in years gone by.

The nervous expectations of ever richer rewards that had become so prevalent in securities firms since the boom years began in 1982 are conspicuously absent. Nowadays, the small talk most overheard in corporate corridors of lower Manhattan is more likely to center on a familiar personality who just received a pink slip rather than a wish list of extravagant purchases for the new year.

To chief executives on Wall Street, cost-cutting appears to be the most important legacy of Oct. 19's stock market collapse. Expense accounts are being pared. Marginally profitable businesses are being abandoned. And almost every major firm has announced staff reductions.

Just last week, Merrill Lynch & Co. announced a plan to reduce salary costs by \$200 million. It coincided with the start of an estimated 5,000 layoffs at E.F. Hutton that will result from the firm's merger with Shearson Lehman Brothers.

Because of the harsh impact of such austerity, Penn Long, an analyst who follows the securities industry for Lipper Analytical Services, said he reckoned that the average bonus would be 20 percent to 25 percent below last year's level.

"The actual dollars they have to spend on bonuses are fewer because their profits were less," said Mr. Long. He estimated that the aggregate pretax profits of the firms he tracks will be about \$3.8 billion to \$3.9 billion this year, about 30 percent lower than last year's record results.

The disappointing results are not just the product of the October debacle. Business began slowing down earlier this year, hardly surprising as the bull market entered its fifth year. Net income at Shearson Lehman Brothers fell 21 percent in the third quarter to \$51.3 million, while Salomon Brothers reported that net income fell 79 percent, to \$27 million, in the quarter.

But October's turmoil clearly made a bad situation worse. The bonuses are a particularly tender issue because "nobody wants to give anyone another excuse for yuppie-bashing," a Wall Street manager said.

Institutional Brokerage Estimate Service, a unit of Lynch Jones & Ryan that tracks profit estimates, said that analysts have lowered 1987 earnings projections for securities firms by almost 19 percent over the past month.

Despite the difficulties, Wall Street is not about to abandon the bonus system, a tradition that accounts for the biggest share of an executive's overall compensation.

The arrangement, which dates from a time when Wall Street was populated by small partnerships, was intended to shield firms from the boom-or-bust characteristics that are typical of the securities industry. Unsure of what the new year will bring, Wall Street firms have always preferred to hold down salaries to preserve capital and then make big year-end payments tied to profits.

"You really don't see salaries over \$200,000," said Kevin Sullivan, president of Kevin Sullivan Associates, an executive search firm with Brazil absent economic adjustment.

A New York banker said, "There is nothing you can do with Brazil. They have to come to their senses." But his bank is nonetheless participating in talks on the financing package.

About 85 of Brazil's creditor banks started signing a \$3 billion loan accord last week. Of that amount, \$1 billion will be used, together with \$500 million from Brazil's own reserves, to pay fourth-quarter interest by year's end.

The rest of the money is conditional on a medium-term debt package. Banks say that package must be approved in outline by Jan. 15 and by 90 percent of the banks by March 15.

Brazil sought to reassure foreign creditors Friday, telling banks that it would continue talks to negotiate terms of a medium-term financing accord "as scheduled."

"It is Brazil's firm desire that the agreement become effective in accordance with its terms," the government said in a telex.

Brazil has presented various proposals for the medium-term financing. But bankers say they have questions about assumptions behind the projections, including what some see as an overly high price for oil.

In talks last week on the medium-term debt financing in New York, bankers reported only slow progress, in part because Mr. Bresser Pereira had lost influence at home. "Bresser Pereira had lost all power and consequently was ineffective," a senior banker said. "So his resignation might be a good thing."

His departure is expected by some analysts to sever the link between Mr. Sarney and the Brazilian Democratic Movement Party, the majority party in Congress.

Bankers fear that the lack of political cohesion in Brazil will make it very hard for anyone to fill the policy vacuum. First-quarter deadlines would become even more difficult to achieve.

"Until there is clarification there," the senior banker said, "it is going to continue to be a difficult situation both for the local economy and for the debt restructuring."

One banker said the terms of talks in January would depend on who was named finance minister. The Brazilian Democratic Movement Party said it will not provide a successor to Mr. Bresser Pereira from its ranks. Both Mr. Bresser Pereira and Dilson Fumero, the previous finance minister, belonged to the party.

But political analysts said the prospect that the new minister would be a technocrat without firm party allegiances did not mean future negotiations would be easy.

On Friday, European officials were quoted by The New York Times as saying that a G-7 meeting was still likely, but probably not until February. Plans for a meeting have been delayed because of concern that markets could plunge if investors deem any agreement ineffectual.

(Reuters, NYT)

A Bad Autumn on Wall Street

Some of the changes made by the securities industry since September. Dates moves were made public are in parentheses.

- **Bonus Reductions**
■ Drexel Burnham Lambert Inc. To 7.5 percent of base pay, from 35 percent. Outstanding performers may receive more.
■ Goldman, Sachs & Co. To 22 percent of base pay, from 25 percent. Affects support staff only.
■ Kidder, Peabody & Co. Bonus pool shrunk by 20 percent from last year.

- **Layoffs**
■ Salomon Inc., 600 of its 8,508 employees. (Oct. 12)
■ Chemical New York Corp., 170 employees in its London office, out of about 950 in its British work force. (Oct. 12)
■ Shearson Lehman Bros., 150 of its 1,400 employees in its London office. (Sept. 14)
■ Drexel Burnham Lambert Inc., 100 of its 11,000 employees. (Nov. 22)
■ Kidder, Peabody & Co., 1,000 of its 7,350 employees. (Oct. 13 and Dec. 4)
■ Ryan Beck & Co., investment banking firm, 45 of its 275 employees. (Oct. 30)
■ Goldman, Sachs & Co. As many as 300 of its 7,500 employees.
■ L.F. Rothschild & Co. 700 of its 2,000 employees. (Dec. 7)

The New York Times

specializing in the financial services industry. "The bonus is the key to how well you are paid."

In past years it was not uncommon for an analyst fresh out of business school to receive a bonus of 25 percent to 30 percent on top of a base salary of \$50,000 to \$70,000, Mr. Sullivan said.

These with several years of experience, making perhaps \$100,000, would receive considerably more, sometimes even seven-figure bonuses, depending on their value to the firm.

Last year, Institutional Investor, which chronicles life on Wall Street, estimated that the total compensation package for Henry Kaufman, the influential economist who just announced his departure from Salomon Brothers, exceeded \$3 million.

"It's not unusual for some individuals to make more than the firm's president," said Mr. Sullivan. "If someone makes the firm a lot of money, then that person is rewarded accordingly."

Still, retrenchment has become an overriding theme for corporate strategists on Wall Street. Lipper's Mr. Long said he believes this means a decidedly less liberal attitude among top management.

"The idea of many firms is to conserve as much money as possible as they enter the uncharted waters of 1988," he said. "If it's handled correctly, people might accept it, especially if they think it means the difference between keeping or losing their jobs."

Only a handful of Wall Street firms disclose information about bonuses. Public discussion has always been considered taboo for competitive reasons as well as the desire to avoid discussion within the ranks.

Bonuses are a particularly tender issue now because executives do not want to be seen rewarding themselves at a time when many of their clients posted big losses in the market.

"Nobody wants to give anyone another excuse for yuppie-bashing," said one Wall Street manager, who declined to be identified. Ironically, two of those who release some information are privately held firms, Drexel Burnham Lambert Inc. and Goldman, Sachs & Co.

Drexel, which has laid off 100 of its 11,000 employees, has slashed bonuses to 7.5 percent from 35 percent in 1986. At Goldman, which is laying off as many as 300 of its 7,500

See BONUS, Page 9

Texaco to File \$5.5 Billion Pact Ending Dispute

By Stephen Labaron
New York Times Service

NEW YORK — Texaco Inc. is to file a \$5.5 billion reorganization plan Monday with a federal bankruptcy court, permitting the company to emerge from bankruptcy proceedings in the spring, executives from Texaco and Pennzoil Co. said.

The centerpiece of the restructuring plan, which was signed by Texaco and Pennzoil on Saturday, is a cash settlement of \$3 billion that Texaco will pay its largest creditor, Pennzoil.

That payment is in lieu of a \$10.3 billion judgment, plus interest, that Pennzoil was awarded in a 1985 lawsuit.

Under the reorganization plan, all other creditors will be paid 100 percent of what they are owed by Texaco. That debt is estimated at \$2.5 billion.

J. Hugh Liedtke, Pennzoil's chairman, signed the 50-page reorganization plan and settlement agreement early Saturday at Pennzoil's New York offices.

Later, Pennzoil released a statement from Mr. Liedtke saying that "many compromises and concessions were required by all interests" to reach an accord.

Committees representing creditors and shareholders of Texaco supported the plan, Mr. Liedtke said.

James W. Kinnear, who became Texaco's president less than four months before the bankruptcy, declined to say what Texaco would look like when it emerged from bankruptcy.

"I've had ideas about how to restructure Texaco for the last 10 years, and now I'll be able to do that," he said.

He said the company would use interim financing and cash reserves to pay for the plan.

The plan will be sent to all of Texaco's shareholders for a vote that is expected by March. For the plan to go ahead, it must be accepted by two-thirds of the shareholders voting.

The plan says Texaco can raise the cash in "any lawful manner" to pay the \$3 billion settlement to

Pennzoil and the \$2.5 billion to Texaco's other creditors.

Company insiders said Texaco, the third largest U.S. oil company after Exxon and Mobil Corp., might sell newly issued shares or assets to pay its debts or use some of the more than \$4.3 billion the company has in cash and marketable securities. It could also seek a loan.

The legal dispute between Texaco and Pennzoil began in January 1984, when Texaco bought Getty Oil Co. for \$10.1 billion.

Pennzoil, which thought it had previously reached a binding agreement to buy three-sevenths of Getty, sued Texaco for interference of contract. A Texas jury agreed with Pennzoil, and the company was awarded a \$10.3 billion judgment, the largest in U.S. history.

Texaco, after losing a battle in the U.S. Supreme Court, was faced with putting up a bond in the amount of the judgment while its appeal of its case proceeded. The company said that would be impossible, and last April it filed for protection from its creditors, becoming the largest company ever to file under Chapter 11 of the U.S. Bankruptcy Code.

In recent days company executives contended that they could have reached a lower settlement with Pennzoil if Texaco's shareholders committee had not reached an accord with Pennzoil for \$3 billion.

Mr. Kinnear indirectly reiterated that claim. "If given the freedom to negotiate, perhaps a better deal could've been done," he said.

While saying that he was "excited about the totality of what lies ahead" and that he was happy "the litigation is behind us," Mr. Kinnear expressed reservations about how the Texaco-Pennzoil battle had been resolved.

"To have settled before the Supreme Court had a chance to hear our arguments is not my style," he said. "We made a settlement for 25 cents on the dollar. It's a lot of money."

But he added that "under the See TEXACO, PAGE 9

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BFCE	7 3/4	96	87 1/2	10.08	+56	Nomura Int	7 1/4	92	98	9.52	+93

[illegible]

CalMar	9.56	NL	Incom	7.80	NL	Tot Rt	14.01	15.31	Envy	15.44	NL
EHSk	12.30	13.26	Spec	5.79	NL	US Gv	9.20	9.63	Guord	32.96	NL
	12.30	12.00	Franklin								

[illegible]

8.92	7.06	SIBIA r	9.42	9.61	Region	17.73	NL	COB r	7.27	NL	FIDR	7.06	NL
8.96	NL	SIBLo r			Reserv	10.18	NL	Conv r	8.56	NL	Balon	8.56	NL
11.60	NL	SIBrd r	10.51	10.72		15.87	NL	CoBd r	8.71	NL	Govi	9.42	NL

1934 earnings, which the
total November 1934 report
shows that the \$300 million it
recently earned last year.

The management's concern
over social and administrative
matters, however, may intensify
will not be informed of how much
of a bonus they are receiving until
mid-1935, after the close of the
fiscal year.

Michael O'Neil, a spokesman
for Standard Life, said he has
been discussing the total invest-
ment pool between staff and prob-
ably will not begin this work. But
probable he said, will not re-
ceive payments until mid-February.

So far, employees of Morgan
appear open to be the cost of the
industry. The firm reportedly has
an estimated \$50 million loss be-
ing an estimate of its participation
in a disastrous theory in the
United Petroleum Co. offering an
average for guarantee to its mergers
and acquisitions and merchant
banking interests and other such
losses.

In fact, Morgan Stanley's bud-
get sheet looked fairly strong as it
ended last December's crash. The firm
reported an 18 percent increase in
total operating earnings to \$72.9 mil-
lion.

Morgan Stanley may be the
only firm that will turn in a
profit in the final quarter, said
Charles McGee, who tracks the se-
curities industry for PaineWebber.

As a result, many Wall Street
observers do not fore-

TABLE 1. *Continued*

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New International Bond Issues

Compiled by Aimee Potter Hardous

Issuer	Amount (millions)	Mat.	Coups	Price	Price and week	Terms
FLOATING RATE NOTES						
Ferret 3	\$300	1994	1/4	100		Over 3-month Libor. Callable at par in 1989. Serial redemption. Payable Feb. 22. Fees 0.10%. Denominations \$100,000.
Swedbank	DK 420	1990	0.45	100.15		Below 3-month Luxembourg interbank offered rate. Redeemable at par in 1988. Fees 0.12%.
FIXED-COUPON						
Norwegian Mortgage Assurance for Industry & Trade	DM 75	1993	5/4	100	98.13	Noncallable. Fees 2%.
Thomson Brant Int'l	DM 150	1994	6%	100%	99.05	Issue is from exercise of bond warrants. Noncallable. Payable Feb. 17. Fees 2.4%.
WARRANTS						
Toronto Dominion Bank (London)	0.25	1989	—	\$5	\$5	Each warrant entitles holder to buy \$100 at a fixed exchange rate of 1.6375 Deutsche marks per dollar. Exercise date 1.7.92.

Write-Off Signals Baker Plan's Death

By Carl Gewirtz

International Herald Tribune

PARIS — Legally, nothing happened last week when Bank of Boston Corp. wrote off its \$200 million of debt to unnamed Latin American countries. The debt is still owed to the bank, which has every right to pursue repayment.

But realistically, the accounting procedure signaled the formal death of the Baker Plan, put forward in late 1985 by the U.S. Treasury secretary, James A. Baker 3d.

The plan, which never really came to life, called for economic reform in the debtor countries, continued new lending by commercial banks and accelerated lending by the International Monetary Fund and the World Bank.

But the reforms were not forthcoming, the commercial bank lending was just enough to enable servicing of the existing debt, leaving nothing for new investment, and the IMF was receiving more in repayment of past loans than it was making in new loans.

"The banks are not lending, the IMF is not putting any new money in and the World Bank is in disarray," said Rimmer de Vries, economist at Morgan Guaranty Trust. In short, he said, "the Baker Plan is not operational."

Now, after the Bank of Boston's move, there is some doubt how far the commercial banks are prepared to go in lending the money they are to receive back in the form of interest payments on old debt.

Once the debt is written off, banks cannot justify making new loans. Shareholders would not accept it, and auditors and supervisors would insist that if the old unpaid loan was written off, the new loan would also have to be.

Even before, Bank of Boston's move there had been growing resistance from commercial banks to extending new loans to debtor countries. Now, said one international official, "it will become even more difficult to arrange new loans."

If other regional banks follow Bank of Boston's lead, this official

said, "we could see a big split between banks. Relations within the banking community could deteriorate."

This would pit money center banks — the ones with global networks and ambitions, massive exposure in Latin America and who see a strategic interest in working to find a solution with the debtors —

against the smaller, less exposed and more profitable banks who may want to pull out.

And if more banks pull out, that would increase pressure from the debtor countries for banks to forgive the loans that have already been written off.

Whatever happens, analysts agree that organizing new debt packages in the future will be infinitely more difficult than in the past.

How much more difficult depends on how many smaller banks follow Bank of Boston's lead. Equally important is the position banks take on trade-related credits. Bank of Boston left these credits untouched.

"The banks' major weapon is trade-related business," the international official said. "No country can afford to see its lines stopped. If banks were to cease to grant trade credits, that would create a real mess."

Elsewhere, the banks show no dearth of appetite for new business. Last week, India won new low borrowing terms on a \$300 million credit for the state-owned Oil and Natural Gas Commission. Interest will be set at 3/16 point over the London interbank offered rate for the first two years and 4/16 point over Libor for the final eight years.

The 10-year maturity is long, as is the grace period, which runs for seven and a half years.

Despite the low interest margin and long maturity demanded by India, there was intense competition among banks for the mandate

to arrange the transaction. The winners were Morgan Guaranty Trust and Bank of Tokyo.

By contrast, Algeria was obliged to accept higher borrowing costs. Banks had indicated that they needed a return of at least 1 percentage point over Libor and just about got it.

The \$200 million loan for Banque de l'Agriculture et du Développement Rural is part of a \$630 million project in which the World Bank is directly lending \$250 million. The World Bank will also be taking at least a \$15 million share of the credit being syndicated among commercial banks.

This eight-year co-financing, the first for Algeria, will carry interest of 1/4 point over Libor for the first six years and 1/2 point over Libor in the final two years. The World Bank's portion of this loan will run for eight and a half years.

The front-end fee totals 1/4 percent, giving an all-in cost of 9/8 basis points over Libor. By contrast, a year ago Algeria paid 1/2 point over Libor for eight-year money.

In addition to the higher return, banks are also being invited for smaller underwriting commitments — \$3 million on the new loan compared with \$12.5 million last year.

In the French market, Société Lyonnaise des Eaux, a water distributor that has diversified into energy and communications businesses, is seeking a five-year multi-option facility of 1.25 billion francs. It will pay 10 basis points over the Paris interbank rate to draw francs and Libor flat to draw Eurocurrency.

The annual facility fee is 5 basis points and utilization fees of 3 basis points for drawing up to one-third of the amount, 4/16 basis points for drawing up to two-thirds, and 6/16 basis points for more than that.

In the international market, American Brands, which set out to borrow \$600 million, drew subscription of \$1.2 billion and increased the size of its three-year loan to \$1 billion.

Hong Kong Exchange Chief Calls Rules 'Adequate'

As the new chairman of the Stock Exchange of Hong Kong, Charles Sin Cho-Chiu assumes office amid much controversy. His predecessor, Ronald Li, was widely criticized for suspending trading for four sessions after October's price collapse. The exchange is now under study by a government-appointed review committee. Mr. Sin, 52, a solicitor and a close associate of Mr. Li, spoke with the IHT's Patrick L. Smith over the weekend.

Q. What is your view of Hong Kong's regulatory environment? Do you feel that there are adequately regulated at present?

A. We have legislation covering the market, brokers and listed companies, and we have legislation that protects investors. The exchange itself has rules borrowed mostly from the London Stock Exchange. In short, there is already sufficient legislation to regulate the market and protect investors.

Q. Have your views been altered by the events of October?

A. No. Every market has its own problems. We made a decision within a very tight schedule, and the exchange committee thought the decision taken was in the best interest of brokers as well as the market.

Q. What do you see as the role of the exchange's new chief executive, Robert Fell, who is a former government official?

A. It is an era of greater official involvement on the way. A. With Mr. Fell, we'll have the advantage of things being organized more efficiently. But in principle, I'm an advocate of brokers managing their own affairs. Market men know better about markets than outsiders. I would advocate that brokers elect their own committee to run the exchange.

Q. Do you feel Mr. Li was justified in closing the stock and futures markets?

A. I think the cure was worse than the disease. Mr. Li has been an unfair personal attack on Mr. Li that he was the man who ordered the market closed. Mr. Li consulted the committee as well as government officials concerning what steps should be taken. It was a collective decision, not Mr. Li's.

Q. The events of October certainly gave the impression that this is a market run as a kind of club for the benefit of a few.

A. Everyone is entitled to his opinion. But a market, geared to handle about 1 billion Hong Kong dollars (\$128 million) in transactions daily had grown to 4 billion dollars, and there was a big backlog of settlements. Given such volume, closing could not have been done to benefit a few. This affected the whole market, it was about to swamp the whole system, the whole economy.

Q. Would you close this market again?

A. If it were necessary, yes, I would do it. It

wasn't the cure worse than the disease?

Q. Are you disappointed that Hong Kong is now somewhat out of favor with international investors and is viewed as even more immature than had been thought even a few months ago?

A. You're quite correct about that. Before we unified our four exchanges last year, Hong Kong was a nice local market, and since unification it has become an international market. As such, we're affected by global turbulence. But the reputation of a market depends only on whether investors seize opportunities.

Q. Many fund managers now assert that in terms of disclosure requirements, the Hong Kong market is still very far from where it should be.

A. Our disclosure rules comply with existing legislation, which we feel is sufficient for the investing public.

Q. But you've now got companies turning up with massive speculative losses, while shareholders had no idea they were even in the market.

A. When we study the listing of these companies, we rely on their underwriters and accountants and their own forecasts for future earnings. We can't be an investigator. We depend on the integrity of a company and its professional people.

Q. What will you do to communicate to the international investment community that the problems that led to October's closure will be addressed?

A. We were affected by global turbulence. It was not a problem that was generated from Hong Kong. As far as we're concerned, we had no problem. Our only difficulty was a huge backlog of settlements.

Q. Do you feel it is now important to recognize the role of foreign brokers in Hong Kong by opening the exchange committee, which is now limited to local brokers, to foreign membership?

A. Good question. To convince members to accept change, one has to progress step by step. At this point, we have to wait for the review committee's findings.

Q. More generally, is it time for the Hong Kong market, including basic mechanisms such as the clearing system, to catch up with the realities of a global equity system?

A. One of our primary objectives must be to set up a central clearing and depository system, because a local market has become a global one, and a small volume a large one. But we cannot expect to change our system overnight.

MONDAY Q&A

Icahn and Shareholders Were Key Players in Texaco Accord

By Agis Salpukas

New York Times Service

NEW YORK — In the past three weeks, a variety of players have taken center stage in fashioning the settlement of the bitter struggle between the tiny Pennzoil Co. and the giant Texaco Inc.

Numerous efforts to settle out of court failed. Executives at Pennzoil and Texaco remained far apart on an acceptable dollar figure. But recently they have been shuttled aside by a cast of characters who made the final settlement and reorganization plan possible.

In November, Carl C. Icahn, chairman of Trans World Airlines Inc., assumed the role of deal maker by gaining control of 30 million shares of Texaco stock from Robert Holmes & Court, an Australian industrialist. That made Mr. Icahn Texaco's largest shareholder.

Other key players included members of a shareholders' committee, formed last spring on the orders of the U.S. Bankruptcy Court, and headed by Robert C. Norris, a Colorado rancher who has appeared in cigarette advertisements as the Marlboro Man and is a descendant of a Texaco founder.

Charles F. Luce, retired chairman of Consolidated Edison Co. of New York and now a director of Metropolitan Life Insurance Co., Texaco's second largest creditor after Pennzoil, heads the creditors' committee.

Judge Howard Schwartzberg of U.S. Bankruptcy Court is hearing the case in White Plains, New York. His rulings on the role of the committees in working out a reorganization plan were crucial to resolution of the dispute.

"Each of the participants had to play the leading role from time to time," Mr. Luce said. "Each one took the initiative and we can't leave Icahn out of this. But in the end Pennzoil and Texaco were left to work things out in the stretch."

On Friday, after an agreement in principle had been reached, Mr. Icahn said he was happy that the agreement was nearly completed. He said he had no plans at this time to seek control of Texaco.

"I made a lot of money," he said. "It's ridiculous to argue about who gets the major credit."

Mr. Icahn gained control of Mr. Holmes & Court's 30 million Texaco shares by paying about \$29 a share for 12 million shares that also included voting rights, Texaco's

intervention broke the logjam between Mr. Kinneer and Mr. Liedtke. "Things had been stalled," Mr. Zweibel recalled. "After that, negotiations began in earnest."

On Dec. 7, at the New York headquarters of Metropolitan Life Insurance Co., Mr. Liedtke and

On Dec. 7, Mr. O'Dea took all 12 members of the committee to a court hearing at which he argued that the shareholders be included in any settlement plan. The judge agreed.

"We got a seat at the table where the game was being played," Mr. O'Dea said.

That same afternoon, the committee met at an inn near the courthouse and decided that it was willing to accept a settlement of \$3.001 billion. The extra \$1 million was added by Mr. Norris, whose mother's uncle, John W. Gates, was a "Bet-a-Million" Gates, a Texaco founder.

The committee, seeking to seize the initiative, also set up a meeting with Mr. Liedtke for Dec. 9, in Houston. That night, however, they met with Mr. Icahn over dinner in Manhattan where, according to Mr. O'Dea, they spent a pleasant evening. Mr. Icahn spoke of his past exploits, including his success in taking over Trans World last year.

But the committee told him nothing of their decision to accept a \$3 billion settlement, or of their scheduled meeting with Mr. Liedtke. Thus Mr. Icahn, who worked mostly from Mr. Jamail, with whom he consulted dozens of times a day, was at times left out of crucial decisions.

Mr. Liedtke, according to Mr. O'Dea, said at the meeting with the shareholder leaders that the \$3.001 billion figure was satisfactory and he would talk it over with his board. But at a meeting on Dec. 11, Mr. Kinneer gave the \$3 billion figure an icy reception. Mr. O'Dea said Mr. Kinneer felt he could have forced Mr. Liedtke to accept a lower amount.

Then all the main players, the creditors and shareholders, Mr. Liedtke and Mr. Icahn, regrouped that weekend to force Texaco to come to terms or face the prospect of a court-ordered settlement.

Dennis M. O'Dea, the lawyer for the shareholders committee, said that concern arose when he and other committee representatives realized that Mr. Liedtke and the creditors' leaders were taking the initiative.

Mr. Kinneer, the president of Texaco, met. They had shunned face-to-face meetings since Texaco filed for bankruptcy. Now they conferred. It was a sparring match and no compromise was reached.

But Mr. Liedtke asked to meet privately with Mr. Luce and several other representatives of the creditors' committee. Mr. Luce said he and Mr. Liedtke had agreed that for a settlement to be reached, the first crucial step was to agree on a single dollar amount.

"You know what the ball park is," Mr. Luce recalled Mr. Liedtke saying. "It's between \$2 billion and \$4.1 billion."

Mr. Luce said he told Mr. Liedtke that "I can figure that it has to have a three in it." Mr. Liedtke did not protest, and Mr. Luce said, "We knew at that point that he was talking \$3 billion."

The way seemed clear for the creditors' committee and Pennzoil to work out their settlement plan and ask the court to force it on Texaco as part of the reorganization plan. At that point, the leaders of the shareholders committee, concerned that they would be left out of the settlement process, decided to make a concerted effort to persuade Judge Schwartzberg to include them.

At that meeting and one on Dec. 5, Mr. Icahn cajoled the other side and indicated that Pennzoil could end up getting nothing. He persuaded Mr. Liedtke to seek a settlement and think about reducing his demand from \$4 billion to about \$3 billion.

Joel Zweibel, the lawyer for the creditors' committee, said the judge's ruling and Mr. Icahn's in-

tervention broke the logjam between Mr. Kinneer and Mr. Liedtke. "Things had been stalled," Mr. Zweibel recalled. "After that, negotiations began in earnest."

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Carl C. Icahn

The solid front of the players broke as the shareholders committee insisted that they be given major representation on Texaco's board. The creditors' leaders and Mr. Icahn were furious; they saw the move as a grab for power by the shareholders' leaders. They also felt that such a demand would never be accepted by Texaco's management.

The groups had wanted to put the heat on Texaco. Mr. Icahn said in a letter that he made public that the demand of the shareholders committee would "have the effect of pushing Texaco off a hot tin roof into a raging fire."

His strong stand was effective. The shareholders backed off and the shaky alliance between the groups was restored.

It was the united stand that left the Texaco management isolated, and eventually brought it to the bargaining table with Pennzoil.

The spotlight then moved back to Mr. Kinneer and Mr. Liedtke and their legions of lawyers and advisers, who spent the past week haggling over every word in a complex plan of reorganization.

Wall Street Calls Boesky Term Just

Reuters

NEW YORK — Wall Street brokers and analysts say the three-year prison sentence given to Ivan F. Boesky, the stock speculator toppled in an insider trading scandal, was severe but fair.

"Justice has been served," said Al Goldman, portfolio strategist at A.G. Edwards & Sons. "The prison term makes a statement that even the high and mighty are not above the law, and Boesky was the highest and the mightiest."

Mr. Boesky was sentenced Friday on one criminal charge of making false filings to the Securities and Exchange Commission.

He could have received five years in prison and a \$250,000 fine. Still,

his prison term was the longest so far in a scandal that has shaken the securities industry for a year and a half.

"The sentence strikes the right chord," said Monte Gordon, research director at Dreyfus Corp. "It implies that Boesky did not cooperate with the government, his term could have been longer. But considering the extensive cooperation he is reported to have given, it's reasonable."

U.S. District Judge Morris E. Lasker did not fine Mr. Boesky, who had paid \$100 million in penalties and illegal profits to the Securities and Exchange Commission last year. He had also been barred from the securities business for life. At least one Wall Streeteer took a

dimmer view of Mr. Boesky's cooperation with the government, saying he had been driven by the same self-interest in helping the government's prosecutors that once motivated him in his stock deals.

Boesky went out of his way to inform," said Matti Prima, investment banker at Henry Ansbacher Inc. "Whatever he bargained for, he bargained for effectively. He's an even better deal maker than we realized."

Michael Metz, a broker at Oppenheimer & Co., said, "I'm a great believer that white-collar crime is as vicious, venal and reprehensible as crimes of violence, and therefore I feel that a severe sentence was appropriate, with the fact that he cooperated only slightly mitigating."

Brokers said Mr. Boesky's sentence was good for investors and for the public's view of Wall Street.

William Lefevre, senior vice president at Advent Inc., said, "People will think twice before they violate securities laws."

Senator Alfonse M. D'Amato, a New York Republican who sponsored a bill calling for increased penalties for insider trading, said the sentence showed how strong the law was regarding stock fraud.

"Those who engage in insider trading are nothing less than thieves who seriously undermine the integrity of our nation's capital markets," he said.

Representative John D. Dingell, a Michigan Democrat who is chairman of the House Energy and Commerce Committee, said the sentence was a "fitting punishment for a crime that seriously undermined our financial market system."

"Theft of assets through the manipulation of stock is no less a crime than bank robbery at gunpoint, and such crimes should be treated fairly," he said.

Mauri Harris, business economist at PaineWebber Inc., said that if Mr. Boesky had not received at least some form of prison sentence, the public would have been left with the impression that "big fish go off too easily."

But he also spoke of another side to Mr. Boesky's life, one that involved "extremely generous" gifts that he made to charity before he began the pattern of illegal trading that will send him to prison on March 24.

"In many respects, Boesky was a model citizen, and he was rich without the illegal trading," Mr. Harris said. "That he ended this way is sad."

BONUS: Wall Street Cuts Payouts

(Continued from first finance page)

employees, the bonus has been reduced to 22 percent from 25 percent. Some analysts expect the firm's pretax earnings in the year ended November to fall about 20 percent below the \$500 million it reportedly earned last year.

These announcements concern only clerical and administrative staff, however. Many executives will not be informed of how much of a bonus they are receiving until early 1988, after the close of the fiscal year.

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N ACIA
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Q ACIV
Q Adoc
Q Adon
C Adis
S Adlo
S Adm
S Adol
S Adte

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姓名	性别	出生年月	籍贯	民族	文化程度	政治面貌	工作单位	职务	备注
王德胜	男	1945.12	山东烟台	汉族	高中	中共党员	烟台市烟台山小学	校长	
李国强	男	1950.08	山东烟台	汉族	初中	中共党员	烟台市烟台山小学	副校长	
张为民	男	1955.03	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	教导主任	
赵子龙	男	1960.01	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
刘小华	女	1965.05	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
陈永年	男	1970.02	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
周大伟	男	1975.07	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
吴晓梅	女	1980.04	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
孙志远	男	1985.09	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
郑晓芳	女	1990.06	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
王德胜	男	1945.12	山东烟台	汉族	高中	中共党员	烟台市烟台山小学	校长	
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吴晓梅	女	1980.04	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
孙志远	男	1985.09	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	
郑晓芳	女	1990.06	山东烟台	汉族	小学	中共党员	烟台市烟台山小学	大队辅导员	

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Gene	Accession	Length (bp)	GC (%)	GC3 (%)	GC3+4 (%)	GC3+4/2 (%)	GC3+4/3 (%)	GC3+4/4 (%)	GC3+4/5 (%)	GC3+4/6 (%)	GC3+4/7 (%)	GC3+4/8 (%)	GC3+4/9 (%)	GC3+4/10 (%)	GC3+4/11 (%)	GC3+4/12 (%)	GC3+4/13 (%)	GC3+4/14 (%)	GC3+4/15 (%)	GC3+4/16 (%)	GC3+4/17 (%)	GC3+4/18 (%)	GC3+4/19 (%)	GC3+4/20 (%)	GC3+4/21 (%)	GC3+4/22 (%)	GC3+4/23 (%)	GC3+4/24 (%)	GC3+4/25 (%)	GC3+4/26 (%)	GC3+4/27 (%)	GC3+4/28 (%)	GC3+4/29 (%)	GC3+4/30 (%)	GC3+4/31 (%)	GC3+4/32 (%)	GC3+4/33 (%)	GC3+4/34 (%)	GC3+4/35 (%)	GC3+4/36 (%)	GC3+4/37 (%)	GC3+4/38 (%)	GC3+4/39 (%)	GC3+4/40 (%)	GC3+4/41 (%)	GC3+4/42 (%)	GC3+4/43 (%)	GC3+4/44 (%)	GC3+4/45 (%)	GC3+4/46 (%)	GC3+4/47 (%)	GC3+4/48 (%)	GC3+4/49 (%)	GC3+4/50 (%)	GC3+4/51 (%)	GC3+4/52 (%)	GC3+4/53 (%)	GC3+4/54 (%)	GC3+4/55 (%)	GC3+4/56 (%)	GC3+4/57 (%)	GC3+4/58 (%)	GC3+4/59 (%)	GC3+4/60 (%)	GC3+4/61 (%)	GC3+4/62 (%)	GC3+4/63 (%)	GC3+4/64 (%)	GC3+4/65 (%)	GC3+4/66 (%)	GC3+4/67 (%)	GC3+4/68 (%)	GC3+4/69 (%)	GC3+4/70 (%)	GC3+4/71 (%)	GC3+4/72 (%)	GC3+4/73 (%)	GC3+4/74 (%)	GC3+4/75 (%)	GC3+4/76 (%)	GC3+4/77 (%)	GC3+4/78 (%)	GC3+4/79 (%)	GC3+4/80 (%)	GC3+4/81 (%)	GC3+4/82 (%)	GC3+4/83 (%)	GC3+4/84 (%)	GC3+4/85 (%)	GC3+4/86 (%)	GC3+4/87 (%)	GC3+4/88 (%)	GC3+4/89 (%)	GC3+4/90 (%)	GC3+4/91 (%)	GC3+4/92 (%)	GC3+4/93 (%)	GC3+4/94 (%)	GC3+4/95 (%)	GC3+4/96 (%)	GC3+4/97 (%)	GC3+4/98 (%)	GC3+4/99 (%)	GC3+4/100 (%)
Gene	Accession	Length (bp)	GC (%)	GC3 (%)	GC3+4 (%)	GC3+4/2 (%)	GC3+4/3 (%)	GC3+4/4 (%)	GC3+4/5 (%)	GC3+4/6 (%)	GC3+4/7 (%)	GC3+4/8 (%)	GC3+4/9 (%)	GC3+4/10 (%)	GC3+4/11 (%)	GC3+4/12 (%)	GC3+4/13 (%)	GC3+4/14 (%)	GC3+4/15 (%)	GC3+4/16 (%)	GC3+4/17 (%)	GC3+4/18 (%)	GC3+4/19 (%)	GC3+4/20 (%)	GC3+4/21 (%)	GC3+4/22 (%)	GC3+4/23 (%)	GC3+4/24 (%)	GC3+4/25 (%)	GC3+4/26 (%)	GC3+4/27 (%)	GC3+4/28 (%)	GC3+4/29 (%)	GC3+4/30 (%)	GC3+4/31 (%)	GC3+4/32 (%)	GC3+4/33 (%)	GC3+4/34 (%)	GC3+4/35 (%)	GC3+4/36 (%)	GC3+4/37 (%)	GC3+4/38 (%)	GC3+4/39 (%)	GC3+4/40 (%)	GC3+4/41 (%)	GC3+4/42 (%)	GC3+4/43 (%)	GC3+4/44 (%)	GC3+4/45 (%)	GC3+4/46 (%)	GC3+4/47 (%)	GC3+4/48 (%)	GC3+4/49 (%)	GC3+4/50 (%)	GC3+4/51 (%)	GC3+4/52 (%)	GC3+4/53 (%)	GC3+4/54 (%)	GC3+4/55 (%)	GC3+4/56 (%)	GC3+4/57 (%)	GC3+4/58 (%)	GC3+4/59 (%)	GC3+4/60 (%)	GC3+4/61 (%)	GC3+4/62 (%)	GC3+4/63 (%)	GC3+4/64 (%)	GC3+4/65 (%)	GC3+4/66 (%)	GC3+4/67 (%)	GC3+4/68 (%)	GC3+4/69 (%)	GC3+4/70 (%)	GC3+4/71 (%)	GC3+4/72 (%)	GC3+4/73 (%)	GC3+4/74 (%)	GC3+4/75 (%)	GC3+4/76 (%)	GC3+4/77 (%)	GC3+4/78 (%)	GC3+4/79 (%)	GC3+4/80 (%)	GC3+4/81 (%)	GC3+4/82 (%)	GC3+4/83 (%)	GC3+4/84 (%)	GC3+4/85 (%)	GC3+4/86 (%)	GC3+4/87 (%)	GC3+4/88 (%)	GC3+4/89 (%)	GC3+4/90 (%)	GC3+4/91 (%)	GC3+4/92 (%)	GC3+4/93 (%)	GC3+4/94 (%)	GC3+4/95 (%)	GC3+4/96 (%)	GC3+4/97 (%)	GC3+4/98 (%)	GC3+4/99 (%)	GC3+4/100 (%)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

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هكذا من العمل

